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Prince Edward Island,

THE CASE OF PRINCE EDWARD ISLAND

A SUBMISSION PRESENTED TO
THE ROYAL COMMISSION
ON
DOMINION-PROVINCIAL RELATIONS
by
THE GOVERNMENT OF PRINCE EDWARD ISLAND

CHARLOTTETOWN, PRINCE EDWARD ISLAND
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INTRODUCTORY

The Province of Prince Edward Island approaches with a very great degree of caution the preparation of submissions to be made to the Royal Commission on Dominion-Provincial Relations.

On the one hand, this Province continues to believe that, under the existing relations between the Dominion and the Provinces, Prince Edward Island has not been and is not receiving a fair or adequate share of assistance from the Dominion Government; we also believe that the so-called "National" Tariff Policy has worked to the great detriment and disadvantage of Prince Edward Island and the other Maritime Provinces as compared with the larger central Provinces. And yet, on the other hand, by dint of the most drastic economies in provincial administration, by doing without a great many services enjoyed by other Provinces of Canada and by maintaining other services on a modest, and even niggardly scale, by exploiting every feasible source of taxation and revenue, Prince Edward Island has succeeded in attaining a substantial balance between revenue and expenditure.

Our extreme caution in approaching the problems of the Commission is therefore due to our fear that any radical change in the set-up of Dominion-Provincial Relations might upset the finely adjusted fiscal balance of this Province, unless ample precaution were assured that we should not be called upon to give up any of our existing revenues without relief from an equal or greater amount of present expenditures. As a matter of fact, we shall endeavour to show the urgent necessity of, and the right of the Province to, substantially increased Dominion assistance for the provincial services which Prince Edward Island is obliged to carry on.

But although we must approach the problem with caution, we are not unaware of the necessity for some measure of fundamental readjustment of the financial relations and relative constitutional positions of the Dominion and the Provinces. Prince Edward Island is therefore willing to co-operate to the largest possible extent in the work of the Commission, and in its efforts to discover a satisfactory method of improvement in these directions.

PROPOSAL TO CAPITALIZE SUBSIDIES

The subsidy problem has been a vexatious one since Confederation, and has been a constant source of contention among the Provinces.

A plan has been proposed, which appears to us to have considerable merit and which, if adopted, would entirely abolish the present existing subsidies. As this plan is developed, it may appear superficially that it is of exceptional benefit to this Province. On any unbiased examination of the subject, however, it must become apparent that such is not the case. It is true that the debt of this Province is small in comparison with that of others. But this smallness must not be taken to mean that our financial needs are not great. Rather it is an indication that we have lagged behind in the development of many necessary public services. The people of this Province have a deep respect for financial integrity. They have demanded of successive governments that spending be commensurate with a sure ability to pay. During the last decade, however, taxes in both scope and rate have been extended as far as possible. Indeed, for a largely farming community, in some respects they have become too high. Any extension of public services would necessitate further borrowing, which in view of our lack of natural resources would endanger our provincial solvency. As a result, our people have been obliged to look on while other Provinces, more fortunately situated, or perhaps with a lesser degree of careflessness, have implemented many services equally necessary here, but which we felt we were unable to afford. We have seen other Provinces forge ahead of us in public welfare work, in health measures, in education. Their public servants have been adequately paid and their public works greatly improved. This is not possible in Prince Edward Island, unless what appears to us to be undue carelessness is exhibited towards future expenditures. This carelessness we have sought to avoid.

But we do not consider that we should be penalized for our frugality. Nor do we believe that, when our position has been examined by the other Provinces and by the Dominion, when they thoroughly understand and appreciate the extent to which expenditures have been curtailed to ensure sound financing, there will be any danger of discrimination.

We do not propose to examine at any length the weaknesses inherent in the present scheme of Federal assistance to the Provinces. These weaknesses have been recognized by eminent students of public finance in Canada, as well as by other Federal systems employing plans similar to the one followed in Canada. No doubt the many faults of the subsidy system are familiar to the members of this Commission.

We mention, therefore, only two of the many unfortunate features, which

appear to us not to have received the consideration to which they are entitled.

In the first place, any examination of past history shows only too clearly the bickering and provincial jealousy which has resulted from the problem. We venture to say that much of the unfortunate interprovincial mistrust today is the result of dissatisfaction among the Provinces over the subsidy question. It seems very desirable, therefore, to remove this source of annoyance for all time from the field of Canadian politics. This we believe possible if the suggested plan is adopted.

In the second place, it will be noted that from the very first it was intended there should be no increase in the amount of subsidies. Yet increases have been periodically made, though at the time of some of them, the adjectives "fixed" and "unalterable" were freely applied. Various reasons for the necessity of these increases have been given. We do not believe that sufficient compensating effect has been given to the constant decrease in the purchasing power of the dollar. Apart altogether from the question of new functions and increasing responsibilities falling upon Provincial governments, the amounts assigned at the time of Union would not now be sufficient to carry out the purposes for which they were intended. There is no reason to believe that this situation will not continue in the future. Consequently, the most careful plan for re-allotment of functions, for division of revenue, for subsidy revision, which may be made at the present time, if it includes the payment of fixed amounts to Provincial governments for the carrying out of certain functions, is bound to fail. Sometime in the future the dollar will not be capable of purchasing what it can today. As a result, a Provincial government will be obliged to secure revenue from other sources to carry out services which the subsidy alone was expected to cover. This will lead to financial difficulties and applications will be made for periodic increases in the subsidy. The old problem will begin again.

It is proposed, therefore, to capitalize the existing subsidies at three per cent and to abolish entirely the system of unconditional subsidies for the future, the capital amounts so arrived at to be applied to the reduction of provincial debts.

In the case of Prince Edward Island the proposed capitalization would yield a sum exceeding our provincial debt by approximately fifteen million dollars. No other Province would be in the same position; our unique situation is due to the reasons already given. We propose that this excess sum be placed to our credit at Ottawa and the Province be paid interest thereon at the rate of three per cent. If in the future it should become necessary, the Provincial government should be allowed to withdraw capital amounts from this credit in preference to further Provincial borrowing.

CONDITIONAL SUBVENTIONS

As a corollary to this plan, we suggest the payment of conditional subventions to a Province if further Federal assistance should become necessary.

In this connection we quote from Professor Adarkar—*The Principles and Problems of Federal Finance*, pp. 212-215:—

"Before examining this technique of financial arrangements, we shall first briefly re-state the guiding theoretical principles developed in the last chapter, so that we shall know to what end their application must be worked out. As was said in that chapter, the main plank of public finance is the theory of transferences, that is to say the theory that welfare is maximized generally by making through the agency of taxation and public expenditure real transfers of consumable resources from the rich to the poor. The other, and in some respects modifying, principle is that the 'heap' of these consumable resources, itself needs to be enlarged by the operations of public finance and that it can be enlarged by investment in human and material capital, designed to help future production. In federal finance, the former theory is to be worked out in a twofold manner: in the first place, the states internally and within themselves should endeavour to make real transfers between their citizens and at the same time maintain and enlarge the available 'heap'; secondly, the federal government should step in as a readjusting factor to effect a similar series of operations between the peoples of the state inter se. The main guide in these operations is to be the relative per capita income indices, duly tested by references to one or two other basic indices, such as that of total property, etc. If the index for any state shows a declining tendency between successive years relatively to an annage index for the whole country there is a *prima facie* case for extending a helping hand to it, by discriminating in its favour in the matter of subsidies or subventions. And contrarily, if the index shows a rising tendency.

"A problem of considerable difficulty is presented by the second modifying principle stated above, *sig.*, that the total of consumable resources itself must be developed. How does this principle affect the transfer operations of the federal government? Sticklers for the doctrine of natural harmony and *laissez-faire* in economic matters would say that the federal government, by causing the national resources to be employed otherwise than they would if natural forces were left to work themselves out, might cause a diminution in the national wealth. They might insist that money should be left to 'fructify' in those pockets that are the most able to support activities calculated to increase the national wealth; that transfers from a rich to a poor state, from New South Wales to Tasmania, from Ontario to Prince Edward Island or from Bombay to the North West Frontier Province, involve a wasteful interference with the 'harmonious' working of economic laws. To a considerable extent, this class of objections would appear to hold good and should be effective against a wholesale programme of federal transferences. But there are numerous other countervailing considerations to be taken into account. In the first place, it is not necessarily an ideal state of affairs which is reached by the uninterrupted interaction of economic forces, and which is popularly described by such concepts as harmony, equilibrium and so forth. Secondly, the bare fact that the money return on the employment of a given quantity of resources in a rich Province is higher than that in a poor Province is no true testimony of the advisability of such employment. As has been made clear more than once in the foregoing pages, the money return is a very rough index indeed in the measurement of the real incomes or satisfactions accruing from the unmeasured and immeasurable advantages accruing from a particular employment of resources.

"Moreover, the phenomena of prices show a tendency of grouping together in different localities and mere monetary differences between those localities do not necessarily imply any real differences. Thirdly, economic progress or decay is often a process. It is a favourite theme of writers on descriptive economics, how an initial investment in, say, a canal or railway construction scheme in a sparsely populated, backward area, soon sets the ball of progress rolling till gradually the place grows into almost a humming hive of industries. Private investment of social resources does not always obey the laws of natural localization; more often it is the result of accident, history or even the whim of the industrialist. In such cases it is for the public authority to investigate the probable openings for profitable social investment. Where there is scope for industrial or agricultural development, it has to lend its able support by way of subsidization and to rectify the private individual's habit of directing investment into congested channels or blind alleys by taking the lead in the movement of enterprise in new and unexplored

directions. More often than not, backwardness breeds backwardness and economic potentialities are not discovered because they are not explored. It may be due simply to the lethargy of the people or their customary standard of life. In such cases it is plainly the duty of the federal government to infuse fresh blood and awaken new life among them. But the most important argument in favour of transferences from the richer to the poorer states is, perhaps, the need of establishing certain standards of social and industrial life, certain national minima of health, education, sanitation, police organization and so forth. Here there is a clear case for supporting the backward parts of the country at the expense of the advanced, even though the former did not promise rapid development into industrial or wealthy localities."

On page 234:—

"Federal Subventions—This method is most suitable for a secondary adjustment of finances between states inter se; that is to say, when the primary distribution of resources of a main fundamental kind has already been effected between the federal government and states, subventions may be best utilized to make up the deficiencies in a particular state or to facilitate real transferences between states. The most distinctive feature of this method is that the payments are made for specific purposes, and subject to the condition that the friction conceived is efficiently discharged generally under the supervision and control of federal administrative machinery. If inefficiency is proved the grants may be withdrawn. A liberal use of the method of subventions may be made as one of the principal ways to secure equalization of conditions between states and localities."

And again on pages 195-196:

" the agency of public expenditure may be so utilized by the federal government as to benefit the poorer states more than others. Special subsidies and subventions may be granted them so as to encourage and enable them to carry out projects either of the welfare or developmental variety. Of course this kind of subsidization must be made subject to supervision and some practical guiding principles must be observed in order that it does not result in either wastefulness or financial lethargy among the recipient states. The richer states, needless to say, will grumble, as they always have done in most federations, about the disparity between what they contribute to the common purse and what they receive as a return therefrom. But clearly in federal finance it is not possible to conceive of such a quid pro quo principle; it is contrary to the very purpose of federation and if carried to its logical end, is bound to lead to disruption of the federal bond."

A SUGGESTION CONCERNING PROVINCIAL DEBTS

Arising out of the plan to capitalize the subsidies and apply the capital towards the reduction of provincial debts, is the suggestion that the Dominion Government assume the resulting residue of the indebtedness of the Provinces — conditioned on the Provinces yielding up assets and revenue to the Dominion Government commensurate with the new burden it would have to bear. This suggestion is, of course, of no immediate concern to this Province. It does appear to us, however, that it is extremely desirable that all the provinces be placed once again on a sound financial basis. Indirectly, the other provinces and the Dominion are deeply interested in the financial welfare of any one province. To the taxpayer, it matters not at all whether his taxes are paid to the federal or provincial authority. If the Dominion Government could assume all provincial indebtedness without any increase in the total amount of taxes to be paid, such a course would result in greatly enhancing the financial standing of all the provinces in the eyes of the lending public and restore that very necessary confidence which has been lost, in certain instances at least.

It would appear, indeed, that to the taxpayers of the provinces concerned, such a shift of financial responsibilities should, in the long run, mean a substantial saving. The Dominion Government can float long term loans at rates greatly below those paid on many provincial bonds.

In the event of any such step being taken, we wish to assert ourselves as favouring the establishment of some type of Loan Council.

Two outstanding suggestions have been made as to the form such a Council might take. The first proposes a scheme under which a province or provinces would become voluntarily associated with the Dominion in setting up a Council to advise in respect to provincial borrowings.

The other plan calls for the setting up of a Federal Loan Council patterned on the Australian model, with necessary changes to meet the Canadian situation.

The advantages of this type of Council have been admirably summarized by Mr. Exley in his Note on the Australian Council:

- "1. Enhancing of Australian credit at home and abroad.
2. A management of loans with as little disturbance as possible to the money work, etc.
3. Advantage that can be taken of specially favourable conditions.
4. Lower interest rates due to absence of competition.
5. Limitation of loan programs.
6. Provisions for sinking funds in respect of all new debts created by the Loan Council."

(Note on Aust. Loan Council, in the *Economic Record*, May 1926, pp. 84-87).

This Province favours any such plan which will tend to promote the national well-being, and which will not interfere unduly with provincial autonomy.

Whether or not the foregoing proposals, namely, Capitalization of Subsidies and Dominion assumption of provincial debts, or either of them, are adopted, this Province urges the establishment of some form of federal Council which in future would control or advise upon all important questions of Dominion subsidies, loans and other subventions to the provinces. Such a Council should comprise representatives of each of the provinces as well as of the Dominion.

THE EFFECTS OF THE NATIONAL POLICY

Prince Edward Island entered Confederation on July 1st, 1873. Prior to that time there had been a steadfast refusal to have anything to do with Union on the terms suggested. In 1866 the House of Assembly declared that "any federal union of the North American Colonies that would embrace this Island would be as hostile to its feelings and wishes as it would be opposed to the best and most vital interests of its people." (Prince Edward Island House of Assembly Journal, 1866, p. 95). There is little reason to believe that this feeling and belief had been altered among the people when the Island entered Confederation. But events conspired to force the Island to join. That these events were not of the Island's own making, but were brought about by the Canadian and Imperial Governments, can be clearly seen on an examination of contemporary documents.

The people of Prince Edward Island seem to have had an almost prophetic view of what the result of union would be. Yet once committed to the union, there never was, nor is there now, any question of withdrawal. The citizens of this Province have borne with patience a national policy which has been distinctly not beneficial; they see the citizens of other provinces grow rich at their expense; they see the best of their youth attracted to other provinces, just as they are entering the period when they might become an asset to the community. The only protest has been an occasional request for "better terms."

In fairness to ourselves, and that our position in relation to the Dominion and the other provinces may be clearly understood, it seems advisable to emphasize the fact that Prince Edward Island was partly cajoled and partly forced into the union.

At the Conference in Quebec the representatives from the Canadas were accustomed to voice in glowing terms the advantages which would accrue to the Maritimes from a federation. One of their reasons, however, was given by the Honourable G. E. Cartier: ". it is evident that no nation can attain great power without the maritime element. We must have commercial intercourse with Europe during more than six months of the year. You who live down by the sea have sea ports open all the year round and it is better that you should have the benefit of our trade than that a foreign power should have it. We thought that a federation scheme was the best"

The real reason in the Honourable Mr. Cartier's mind was, no doubt, that in the event of war with the United States, Upper and Lower Canada would have access to the sea through friendly ports. Possibly he did not foresee the other result which has come about—that the Maritime Provinces have been forced to become purchasers from the Upper Provinces, but have been unable to sell their products to any extent to these same provinces, while losing a great

part of their natural market to the south. The "benefits" of the trade have been very one-sided indeed.

After 1867 the pressure was applied to an even greater extent. The Imperial Government was very desirous that Prince Edward Island become a part of the Dominion. No efforts were spared to bring this about. The Island Government was discouraged at every turn in its efforts to float a loan. The ever vexatious problem of absentee landlords was refused discussion until the Island should enter Confederation.

In 1767 the Island, then a part of Nova Scotia, was divided into 67 townships or lots, of about twenty thousand acres each. With the exception of some small reservations for three County Towns, and certain fishing rights, these lots or townships were granted to certain persons, having real or imaginary claims on the Crown, in a single day by lottery in London before the Board of Trade and Plantations. Certain terms and conditions as to settlement, etc., were imposed on the grantees, but never carried out (even in part) in ninety per cent of the cases.

Quit rents were reserved to the Crown but the proprietors never paid one farthing of the quit rents, and the Imperial Government let them off on condition that they would pay a lower rate. Even this was never paid. Meanwhile the tenants were obliged to take the lands at whatever rent the proprietors chose to demand from them. In not a few cases they let the lands to the tenants at forty times their yearly value.

The following year Prince Edward Island became a separate colony, and its history from then until Confederation is practically a history of the Land Question. The colony was struggling under a universal leasehold system, and the absentee landlords or proprietors refused in most cases to sell the freehold to the tenants. The latter, eager to buy and own the land, in many cases refused longer to pay rent.

Distress proceedings had the appearance of military manoeuvres,—a "Tenant League" was formed in open defiance of the proprietors, and the colony was in a chaotic condition much of the time. Riots were frequent, and it became necessary to call in the aid of the militia from Halifax to keep the peace.

The government of the colony, in an effort to effect a satisfactory settlement of the difficulty, endeavoured to act as an intermediary between the absentee proprietors and the tenants, buying out the lands from those of the proprietors that could be induced to sell, and re-selling same to the tenants on reasonable terms. It was impossible to force the proprietors to sell—legislation to this effect passed by the colony was disallowed by the Imperial Government. A good many purchases were made, however, so that at the time of our entry into Confederation about three-fifths of the land had been bought out and paid for by the Government of Prince Edward Island.

For a complete understanding of these transactions, it must be borne in mind that the Island Government was merely acting as an intermediary between the proprietors and the tenants—acting as a trustee in buying out the lands so that our people (already in occupation) might become freeholders.

It was an enormous strain on so young a colony. The payments had to be made in sterling at London, with the result that money was leaving the country at an alarming rate. The cost of administration was a large item. A complete staff had to be organized under the supervision of a Minister of the Crown. Not all of the land had been properly surveyed, and all this work was done at the expense of the Colony.

The "Quebec" proposals for the entry of Prince Edward Island into Confederation, at the same time as the original Provinces entered, were refused by the Island.

Subsequently the "Terms of 1869" were submitted to the Island Government, whereby the Dominion Government agreed to endeavour to get Great Britain to relieve us of the Land Question, and, failing that, to pay us eight hundred thousand dollars to buy out the remaining proprietors.

These terms were refused by the Island for two reasons: (a) We did not think them sufficiently liberal; and (b) in that they provided for further negotiations with Great Britain, they did not provide an IMMEDIATE solution of the Land Question.

Throughout all these negotiations we see, therefore, that what was contemplated by all was a gift of eight hundred thousand dollars to Prince Edward Island—"for the purchase of lands now held by large proprietors."

We have seen that Prince Edward Island never had any Public Lands. Not only is it that the Government of Prince Edward Island never had the administration of any Crown Lands, but there never were any Public Lands in Prince Edward Island to be administered. On our entry into the Dominion, therefore, we were given a subsidy of forty-five thousand dollars a year, —

"as the Government of Prince Edward Island holds no lands from the Crown, and consequently enjoys no revenue from that source for the construction and maintenance of local works."

Furthermore, we were in a much worse position than if we had been merely landless — because the whole Colony was suffering under the curse of a universal leasehold system.

The Dominion Government, therefore, on our entry into the Union, loaned to the Island Government the sum of eight hundred thousand dollars to buy out the lands remaining in the hands of the proprietors. (Three-fifths of the lands had been bought out prior to Confederation, and paid for out of current revenue. Interest at five per cent on the amount so borrowed was deducted annually from our subsidy of forty-five thousand dollars in lieu of public lands.

Let us suppose, for example, that our Provincial Government was a business corporation, desirous of borrowing eight hundred thousand dollars with which to purchase lands. At the same time it is necessary that we be subsidized to the extent of forty-five thousand dollars a year, to enable us to carry on business. We borrow the eight hundred thousand dollars to purchase the land, and commence to re-sell the same. But, we also commence to pay interest on the borrowed money.

Land sales brought us in a revenue between 1875 and 1900 of something less than forty thousand dollars a year. So that the receipts from sales of land were doing nothing more than paying the interest on the borrowed money.

What then happens after 1900? The stock-in-trade, the land, has all been sold to pay the interest, and we have nothing left—neither land nor subsidy. In 1928 land sales brought in one hundred and seventeen dollars and forty-six cents and no further income is expected from this source.

We would like it to be borne in mind that we obtained no Public Lands from our purchases—most of the land we bought being already occupied by the tenants at the time such purchases were made; and the Province merely acted as an intermediary between them and the proprietors.

We got no advantage as a Province in buying out these lands: instead, we lost a large sum of money, and by the transaction *merely raised ourselves to the level of the other landless provinces*. We were worse than landless in the beginning, at the close of the transaction we were still landless.

As a separate unit Prince Edward Island might have formed a very convenient base for smuggling operations. The problem of sea-coasts fisheries would be greatly magnified if Prince Edward Island were not subject to the same authority as the other Maritime Provinces. No doubt other less material factors had an equally strong influence, such as the very definite desire of the Home Government that the Island unite and the desire of Canadian statesmen to have a rounded out Dominion.

We are emphasizing these points to make our position perfectly clear to the Dominion and the other provinces. Left to herself, with no coercion, direct or indirect, from the Imperial or Canadian Governments, this Province would have been perfectly capable of working out her own destiny, which might very well have resulted in a greater financial prosperity and well-being for her people than they have attained under Confederation. This position we believe to be unique. No other Province became a member of the Dominion under conditions even nearly resembling the same situation.

It may also be asserted that to no other Province have so many disadvantages accrued from Confederation and the National Policy than to Prince Edward Island. The nearest approximation to a similar result is to be found in our sister Provinces of the Maritimes—Nova Scotia and New Brunswick. The whole situation, and the detrimental effects of the National Policy upon the Maritime Provinces, have been analyzed in a thorough and masterly manner by the Honourable Norman McLeod Rogers in a brief prepared by him for submission to the "Jones Commission" appointed in 1931 by the Government of Nova Scotia "to conduct a thorough enquiry into the economic welfare of Nova Scotia and its relations with the Dominion."

The following quotations from the report of the Jones Commission will indicate the conclusions reached by that body upon the subject under consideration:

"When the advocates of Confederation made their appeal to the separate provinces, they emphasized the gain that would be acquired by each, and they both entered

into definite legal obligations and gave assurances amounting to moral obligations to be accepted by the Dominion Government."

"Protective duties raise the internal prices of the imported commodities and thereby foster the establishment of competitive domestic industries. In general terms, a protective system maintains a higher price structure than would have been the case if the system had not been in existence. The higher price structure represents a higher price level and this, in turn, a higher wage level. The cost and price level characteristic of a protective system prevails not only in the industries that have been fostered by protection but in all industries, including those which are mainly or largely engaged in supplying commodities for export. The latter may buy equipment and materials from the former, and to that extent their own costs are raised; in any case the wages of labour employed in exporting industries are based upon the cost of living, which in turn is influenced by the protectionist system. The exporting industries, on the other hand, are compelled to sell their products in foreign markets at world prices, which take no account of the tariff policy pursued by Canada. The Canadian exporter cannot raise his foreign price on account of the tariff cost that he has to bear; he is forced to sell at a price fixed for him by competitors in other countries. He cannot control world prices and must either fit himself into the world system or withdraw from the scene. Such, stated in general terms, is the nature of the difficulties that were expressed by witnesses representing the chief exporting industries of Nova Scotia, particularly those representing the fishing, lumbering and apple growing industries. They were compelled to pay more than would otherwise have been necessary for their equipment, their materials and their labour. Even when they did not employ other workers their own remuneration, fixed in terms of money by the need for selling at world prices, was reduced in terms of commodities and services by the fact that the cost of living was higher than it would have been in the absence of protection. So far as we have gone their statements were obviously true, and to that extent also their exports were injured. To divert labour and capital towards a group of protected industries is inevitably to divert labour and capital from other industries."

"Tariff policy is essentially a matter for the Dominion Government. Under no circumstances would it be practicable or (if it were practicable) desirable for the Dominion Government to surrender to or share with any other body its sovereignty in this respect. But the exercise of sovereign power is by no means inconsistent with consultation with others. It is, indeed, becoming the practice of the members of the British Commonwealth to consult each other before deciding upon changes in tariff policy and even to enter into agreements with each other. It has been suggested to us not only that a tariff policy, once adopted, should be maintained substantially unchanged for a sufficiently long period to engender confidence and promote a policy of industrial development, but also that before deciding upon changes in tariff policy, the Dominion Government should consult the Provincial Governments. We strongly support this view. A change in tariff policy, by changing the conditions and prospects of individual industries, may also affect the conditions and prospects of a Province. A Province is a political unit working within a larger unit and responsible for the welfare of its citizens within the limits defined by the constitution of the larger body. Its own problems and difficulties are inevitably affected by the conditions of its industries, which in turn, are affected by a tariff policy. It is the responsibility of the Dominion Government not merely to promote the economic welfare of the country as a whole but also to secure that national development is not achieved at too heavy a cost in any one part. The Dominion is faced with obligations, difficult to define but none the less real, to the Province as units within the larger body. It is therefore important that the repercussions of a tariff policy upon the general condition and prospects of the Provinces as such should be clearly foreseen. Nor is it sufficient for this purpose to rely wholly upon the existing method of parliamentary representation. We believe that a Provincial Government is in a position to make a real contribution in estimating the effect of a change in tariff policy upon the welfare of its own people, as distinguished from the welfare of any particular Canadian industry that may be represented within the Province. Just as we believe the existing practice of

Governments, to consult industries as such when considering a change in tariff policy, to be justified, so too we believe that similar consultation with the Provincial Governments would be advantageous not only from the point of view of individual Provinces but also from the point of view of Canadian development as a whole. This method would not only assist in securing such a development as would maintain a desirable balance between individual Provinces, but would also assist in preventing the growth of a sense of grievance following upon a disappointment. We therefore believe that if, before introducing a substantial change in tariff policy, the Dominion Government submitted its proposal for consideration by a conference of the Premiers of the Provinces, it would be taking an important step in the right direction."

Nova Scotia "has almost reached the limit of revenue that is available from taxation, with existing resources in industry and population;" and, in view of its increasing social obligations, "is confronted with two alternatives: It may recognize its inability to achieve and maintain the minimum standards of living recognized by Anglo-Saxon communities as essential. The acceptance of this attitude, we feel, is alien to the purpose of Canadian economy and the intention of those who framed the Federal constitution and have since pursued the National Policy. The rejection of this attitude, on the other hand, can be rendered possible only by the alternative, which is some form of Dominion assistance. And this assistance, may take the form either of an allocation from a fund created by the Budget (i. e., increased subsidies) or the adoption of financial responsibility by the Canadian Government for certain services now falling within the jurisdiction of the Provincial Government. In practice, it is more likely to be achieved by a combination of the two methods."

The soundness and excellence of the submission of Mr. Rogers, to which we have already referred, is evidenced by the following tribute, which appears in the Report of the Jones Commission:

"Finally, we wish to pay tribute to the assistance rendered by Mr. Norman McL. Rogers, Counsel for the Government. We believe that the preliminary memorandum presented to us, and afterwards submitted in evidence, constitutes an outstanding contribution to the study of Confederation in Canada. When Mr. Rogers appeared as Counsel we felt that he was a scientist seeking the truth, not an advocate seeking to convince us by submitting what was plausible."

We feel therefore, that we cannot do better than to quote at some length from Mr. Rogers' widely recognized submission:

"In acknowledging this debt of gratitude to the Royal Commission on Maritime Claims, however, it is necessary to point out one important omission in its investigations and report. It failed to enquire into the incidence of the Canadian tariff on the economic life of the Maritime Provinces. It is not easy to find a satisfactory reason for this omission. The terms of reference as set out in the Order-in-Council referred to above did not preclude an investigation of the effects of the tariff policy of the Dominion upon the Maritime Provinces. On the contrary this subject of enquiry is mentioned explicitly in the Order-in-Council. The reason given by the Commission for its failure to make recommendations with respect to tariff duties on coal, iron and steel was that the revision of such duties was before the Tariff Board for consideration. This reason cannot be accepted as valid in the light of the terms of reference issued to the Commission, which distinctly authorized the investigation of the customs policy of the Dominion in its effect upon the Maritime Provinces. Nor is it easy to see how any thorough investigation of the economic problems of any political community could be undertaken without an enquiry into the fiscal policies which had regulated its trade and commerce for a period of sixty years. Furthermore, the incidence of tariff policy upon the economic life of the Maritime Provinces is related

intimately to the productive income of these Provinces and has therefore a direct bearing on the adequacy of the financial arrangements subsisting between the Dominion and the Provinces. The failure of the Royal Commission on Maritime Claims to investigate the effects of the tariff policy of the Dominion upon these communities has not only vitiated some of the conclusions arrived at in the Report, but has also left untouched a major field of economic enquiry, and one which has a peculiar importance to Nova Scotia by virtue of its geographical position and the character of the negotiations which preceded its entrance into the Canadian federation. In view of this omission a considerable portion of the brief submitted by the Government of Nova Scotia to this Commission will be concerned with the incidence of Canadian tariff policy upon the economic development of Nova Scotia."

"In any survey of the development of a Canadian trade policy, in the period 1867-1879, it is important to keep three considerations clearly in mind.

"In the first place, the Provinces of British North America in 1854-1866 had enjoyed the advantages of free commercial intercourse, in natural products, with the United States, under the terms of the Reciprocity Treaty of 1854. To the Maritime Provinces especially, this trade with the United States, during a period of relatively high prices, had brought an unprecedented degree of prosperity. The flourishing commerce between Maritime ports and the New England seaboard had established business connections and channels of exchange which conferred great advantages on the mercantile and ship-building interests of the Provinces."

"In the second place, the negotiations for Confederation had been stimulated by the hope that a union of the Provinces of British North America would improve the prospect of a renewal of the Reciprocity Treaty with the United States; or in the alternative, would provide a recompense for the loss of the American market through the building of the Intercolonial Railway and the removal of the tariff barriers against manufactures which previously had impeded trade between the Maritime Provinces and the united Provinces of Upper and Lower Canada. The Imperial Government, in its efforts to bring about a union of the Provinces of British North America, had expressed the view that the new Dominion would be in a more advantageous position than the separate colonies to secure a renewal of the Reciprocity Treaty with the United States.

"Finally, it was recognized both by the Imperial Government and by the several Provincial Governments, that the failure to secure a renewal of the Reciprocity Treaty would lead to a serious disturbance of existing trade movements, and would emphasize the necessity of obtaining new foreign markets for the produce of the Provinces of British North America."

"When the National Policy was brought down in the Budget of 1879, it was made abundantly clear that it was designed, as its name implies, to confer benefits upon the varied interests of the entire Dominion. The Government of the day denied in the strongest terms that it was intended to confer special advantages upon any one section of the country. On the contrary it was calculated to strengthen, revive and create manufacturing industries in all the Provinces of the Dominion, thereby establishing, it was declared, a larger market for agricultural products in each and all of the Provinces. The following extracts from speeches delivered by the proponents of the measure afford an indication of the motives which lay behind it and the objectives it had in view.

"The National Policy was introduced by Sir Leonard Tilley, of New Brunswick, then Finance Minister of the third administration of Sir John Macdonald. In bringing down the Budget Sir Leonard Tilley made the following statement:

" 'The time has arrived, I think, when it will become our duty to decide whether the thousands of men throughout the length and breadth of this country who are unemployed, shall seek employment in another country, or shall find it in this Dominion; the time has arrived when we are to decide whether we will be simply hewers of wood and drawers of water; whether we will be simply agriculturists raising wheat, and lumbermen

producing more lumber than we can use or Great Britain and the United States will take from us at remunerative prices; whether we will confine our attention to the fisheries and certain other small industries, and cease to be what we have been, and not rise to be what I believe we are destined to be under wise and judicious legislation, or whether we will inaugurate a policy that will, by its provisions, say to the industries of the country, we will give you sufficient protection; we will give you a market for what you can produce; we will say that, while our neighbors build up a Chinese wall, we will impose a reasonable duty on their products coming into our country: at all events, we will maintain for our agricultural and other productions largely, the market of our own Dominion.' (House of Commons Debates, 1879, p. 429).

"Referring particularly to the intended effect of the National Policy on the interests of the Maritime Provinces, Sir Leonard Tilley made the following comments:

" 'As far as the agricultural interests in the Lower Provinces are concerned, they will be benefited by getting an increased home market for their productions, and increased prices for some of their articles Something was said the other night with reference to our manufactures in the different parts of the Dominion. I am not, I think, over sanguine when I say the day is not far distant when the population in the western country will be greater than it is in Canada, and when the Maritime Provinces, with their coal, iron, and water power, will be manufacturing centres for this vast Dominion It is my conviction, in reference to the Province of New Brunswick, that the manufacturing equally with the agricultural and lumber interest, will be fostered and encouraged by the present tariff.' (House of Commons Debates, 1879, pp. 1306-1308).

"Sir Leonard Tilley, denying that the National Policy would be sectional policy, declared in the strongest terms that it was designed to benefit all parts of the Dominion:

" 'We are told that this is a sectional policy, that it is going to separate the people, that the Government or the Finance Minister was simply a committee appointed to receive propositions from the men who came to Ottawa. I can only say that, if we accepted the propositions from all parts of the Dominion, the tariff would have been a very queer mixture indeed, because we naturally had conflicting interests to deal with. But the Government, in view of its responsibilities, as representing Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island, and the Northwest, had to consider and decide as to what was in the interest of the whole Dominion, and what might meet, fairly and justly, the interest of the whole country. If we had come down with a proposition directly in the interest of one Province, no matter how great it might be, had we taken propositions en bloc from Ontario for example, the other Provinces would have ground for complaint. Our scheme is not for a section but for the interest of the whole country.' (House of Commons Debates, 1879, pp. 719-720)"

"Ontario and Quebec are the most important manufacturing Provinces of Canada. Their combined production in 1930 amounted to \$2,735,000,000., or nearly 80% of the gross value of manufactured products of the Dominion." (Canada Year Book, 1933, p. 441).

"Ontario and Quebec account for almost 80% of the total capital invested in manufacturing in Canada." (Canada Year Book, 1933, p. 441).

"In the Maritime Provinces, however, there has been no striking expansion of old industries or compensating development of new manufactures. The expansion which may be noted elsewhere in the Dominion is not duplicated in the Maritime Provinces. Here there has been an actual retrogression of manufacturing activity:

Employees of Manufacturing Industries

	Nova Scotia	New Brunswick	Prince Edward Island
1900	23,754	22,158	3,804
1910	28,795	24,755	3,762
1920	23,834	19,241	1,327

Figures for 1900 and 1910 include only establishments with five hands or more."

"The position in Canada, while not so simple as this illustration, is analogous to it in respect of the disproportionate burden borne by the various Provinces for the support of manufacturing industries. Manufacturing stimulated by the protective tariff is distributed to some extent among the several Provinces, but there has been a disproportionate development in the central Provinces of Ontario and Quebec. These Provinces have received an excessive share of the tariff subsidy, and having relatively few export industries, have borne less than their reasonable share of the cost of the subsidy. Nova Scotia, at the Atlantic extremity of the Dominion, has been subsidized by the tariff in respect of certain industries but on balance, she is contributing largely to the payment of the subsidy to the manufacturers of Central Canada, while at the same time her export industries, which form a large proportion of her total production, have had to bear a heavy share of the cost of the tariff subsidy paid to the Central Provinces."

"The procedure adopted to determine the provincial distribution of tariff subsidies is as follows:

- (1) The first figure to be obtained is one which represents the total gross value of goods manufactured in Canada in a given year (1931), which are also consumed in Canada. This figure is obtained by taking the gross value of goods manufactured in Canada in 1931, viz., \$2,698,461,862, and subtracting from it the gross value of the exports of manufactured goods, viz. \$350,166,608. The figure thus obtained is \$2,348,295,254.
- (2) The total obtained from the above calculation represents the gross value of goods of Canadian manufacture consumed in Canada in 1931. This total, however, includes certain classes of manufactured goods which are not subject to tariff duties, viz., printing and publishing, dyeing and cleaning, sawmills, bread and other baking products, central electric stations. The gross value of these classes of manufactured goods consumed in Canada in 1931 was \$286,508,213. This amount must be deducted from the first total in order to obtain the gross value of protected goods manufactured and consumed in Canada. The figure thus obtained is \$2,061,787,041.
- (3) The above total represents the gross value of protected goods manufactured and consumed in Canada in 1931. It includes therefore the price increase due to the operation of the protective tariff. The best available measure of the price increase due to the tariff is the average ad valorem duty on all dutiable imports into Canada. This average as calculated by the Dominion Bureau of Statistics for 1931 is 26%. On this basis the total given above, viz., \$2,061,787,041, is 126% of the total gross value of protected goods manufactured and consumed in Canada in 1931 valued at competitive world prices. In order to obtain a figure which can be used legitimately as a base for the computation of the enhancement of prices due to the tariff it is necessary therefore to take 100/126 of the total given above. This calculation gives a figure of \$1,636,338,921, representing the gross value of protected goods manufactured and consumed in Canada in terms of competitive world prices, i.e., the prices at which similar imports could be purchased free of duty.
- (4) It is necessary to determine the total amount of the tariff subsidy on the gross value of protected goods manufactured and consumed in Canada. As previously stated, since it is impossible to obtain exact information upon individual items with the existing statistical information, it seems reasonable to adopt as a measurement of the enhancement of prices due to the tariff, a figure which represents the average ad valorem duty on all dutiable imports into Canada in 1931, viz., 26%. When this percentage is applied to the last total in the preceding section, the result will represent the total tariff subsidies in the form of enhancement of prices of protected goods manufactured and consumed in Canada, this enhancement of prices being the result of the protection afforded to Dominion manufactures against foreign imports of similar commodities. The figure obtained by this calculation is \$425,448,119.

- (5) The next step is to determine how this last total of tariff subsidies to manufacturing industries in the Dominion as a whole is distributed among the various Provinces. It would appear that the most reasonable method of determining the distribution of this tariff subsidy among the Provinces would be to divide it among them on the basis of the proportionate amount of salaries and wages paid out in the respective Provinces by the protected industries. This method of division, it may be noted, was recommended and adopted by the Special Committee of Economic Enquiry on the Australian Tariff in 1929. On the basis adopted, the Provincial distribution of tariff subsidies is as follows:

Province	Percentage of Distribution %	Estimated Tariff Subsidies to Protected Manufactures
Prince Edward Island	.11	467.992
Nova Scotia	2.23	9,487.493
New Brunswick	1.91	8,126.059
Quebec	31.23	132,867.447
Ontario	58.88	220,722.484
Manitoba	4.68	19,910.971
Saskatchewan	.77	3,275.950
Alberta	1.93	8,211.148
British Columbia and Yukon	5.26	22,378.571

- (6) In order to indicate more clearly the comparative position of the several Provinces in relation to tariff subsidies, it is desirable to place these subsidies on a per capita basis. The final result will represent the provincial distribution of tariff subsidies on a per capita basis, as follows:

Province	Total Tariff Subsidy \$	Population	Tariff Subsidy per capita \$
Prince Edward Island	467.992	88.038	5.32
Nova Scotia	9,487.493	512.846	18.50
New Brunswick	8,126.059	408.219	19.91
Quebec	132,867.447	2,874.255	46.23
Ontario	220,722.484	3,431.683	64.32
Manitoba	19,910.971	700.139	28.44
Saskatchewan	3,275.950	921.785	3.55
Alberta	8,211.148	731.605	11.22
British Columbia and Yukon	22,378.571	698.493	32.03"

"The position of the various Provinces in relation to gains and losses suffered by the tariff is set out in the following table which gives for each Province separately the per capita tariff subsidy and the per capita tariff costs:

Province	Tariff Subsidy per capita \$	Tariff Costs per capita \$	Net Gain per capita \$	Net Loss per capita \$
Prince Edward Island	5.32	23.20		17.88
Nova Scotia	18.50	30.78		12.28
New Brunswick	19.91	31.58		11.67
Quebec	46.23	35.20	11.03	
Ontario	64.32	49.17	15.15	
Manitoba	28.44	41.69		13.25
Saskatchewan	3.55	31.71		28.16
Alberta	11.22	38.15		26.93
British Columbia	32.03	54.36		22.33

"It is desirable to emphasize again that this table representing the provincial distribution of tariff subsidies and tariff costs is chiefly valuable as an indication of a condition. It is not an exact statement of the effects of the tariff upon the incomes of the several Provinces of the Dominion. It does not indicate the tendency of the tariff to contract the income of export industries by reason of the increase in costs of production of such industries. It does emphasize, however, the effect of the tariff upon the internal distribution of the existing national income.

"It is the tendency of the tariff to increase the money incomes of all protected industries. By their potential ability to raise prices by the extent of the duty on imports, the protected industries are given command over a larger portion of the income of the community than they would enjoy without such tariff protection. It is equally the tendency of the tariff to raise the internal prices of protected goods and therefore to lower the purchasing power of all money incomes. Owing to the concentration of protected manufactures in Ontario and Quebec these two Provinces profit most by the increase in money incomes and are the only Provinces where the increase in money incomes is greater than the added charges imposed on all incomes by the effect of the tariff in enhancing the prices of protected goods. In the remaining seven Provinces money incomes are increased by the tariff in so far as these Provinces possess protected industries. But in these Provinces the increase in money incomes due to the tariff is more than offset by the charges on all incomes due to the enhancement of the internal prices of protected goods. In other words, the Canadian tariff has in fact imposed a heavy net charge on the annual incomes of seven of the nine Provinces of the Dominion. This net charge on the incomes of these seven Provinces goes to swell the money incomes of Ontario and Quebec.

"It is also important to note that the per capita net gain attributed to Ontario and Quebec does not imply that the increase in the money incomes of these Provinces is evenly distributed as between different classes of producers. The precise distribution of the gain in these Provinces is not relevant to the present analysis. Nevertheless, the effect of the tariff in increasing money incomes in Ontario and Quebec is significant because a federal government presupposes the existence of the Provinces as distinct entities, and the ability of a Province to discharge its constitutional obligations depends upon the vitality of its economic life. If national policies have a tendency to enrich the economy of two Provinces at the expense of the remainder, this fact is of the utmost importance as determining the wisdom or unwisdom of the policies in question and also in its bearing upon the constitutional and financial relationships of the Dominion and the Provinces."

"Finally, it must be emphasized again that the foregoing analysis of the incidence of the tariff is not concerned with the duties paid by the people of this or any other Province, on goods actually imported from foreign countries. These duties, whether wisely imposed in particular instances, have been regarded as a contribution to the national revenue for the maintenance of national services. The analysis of the Provincial incidence of the tariff is concerned solely with the effect of the tariff upon the prices of goods produced and consumed within the Dominion of Canada."

"In the several investigations of the effects of the Australian tariff on the component States of the Commonwealth, the purpose of such investigations has been the establishment of a basis for the re-adjustment of federal subsidies. There would seem to be no doubt that the tariff handicap upon a state, whose main source of income lies in its export industries, would be reflected in the financial position of the State Government, through a diminution of the taxable capacity of its population. At the same time, it must be recognized that if the tariff does operate as a handicap on the industrial development and commercial expansion of certain states or provinces within a federation, the problem is not solved by a mere readjustment of the financial relations of the federation.

"In the memorandum submitted by the Commonwealth Government to the 1926 Conference on Financial Relations between the States and the Commonwealth of Australia, the following observation is made:

'The mere making of a money grant is not a solution of the problem. Such a grant is, in effect, contributed by the several States of the Commonwealth, and it is proper for the Commonwealth Government to consider the obvious fact that the mere granting of money, far from removing the causes of the trouble, may, in fact, increase them. The true principle, therefore, is to discover the causes of the financial difficulties, and to seek to provide means for their removal. If, for example, the difficulties are due to a condition of arrested development, the essential problem is to determine how development may be promoted in order that increased production may lighten the burden of taxation and render further enterprise possible.'

'It cannot be denied that there is a large measure of truth in this contention. Certainly, the past experience of Nova Scotia and other Provinces of the Dominion has proved that a mere increase in the subsidy does not, of itself, assist in the solution of basic economic problems. It involves the treatment of the symptom instead of the disease. The only sure approach to remedial action for Nova Scotia is by a clear recognition that its economic progress has been arrested by the excess costs of the tariff, as accentuated by its geographical position; and that its industries must secure a substantial measure of relief from this burden if the Province is to begin the process of economic recuperation. Any remedy which ignores this primary consideration is doomed to failure from the beginning.

'When this conclusion is acknowledged it must still be recognized that Nova Scotia has been a member of the Canadian Federation for some sixty-five years, and that a considerable portion of its industrial and commercial life has been developed upon the basis of a continuance of that political and economic relationship. This means that we are compelled to discover, if possible, a remedial program which can be worked out within the constitutional and fiscal structure of the Dominion. Can such a remedial program be formulated? This is the question which now requires to be answered.

'It has been indicated that the tariff policy pursued by the Dominion since 1879 has been a major cause of the economic retrogression of Nova Scotia. It may be contended that the same policy has contributed to the development of other provinces of the Dominion and that Nova Scotia cannot ask that its interests shall have priority over those of other provinces in the determination of trade policy. It is reasonable to enquire, however, whether the tariff policy as actually operated has conformed to the just requirements of a national policy in a federal state. If it does not conform to these requirements it is also reasonable to ask how it can be modified in such a manner as to permit a normal development of the economic life of Nova Scotia within the political structure of the Dominion.

'It is our contention that the protective tariff from the time of its adoption has failed to meet the just requirements of a national policy in a federal state, that it has been haphazard in its growth, unequal in its incidence, and that it does not represent a fair compromise of the conflicting interests of the several provinces of the federation.

'The outright adoption of a protective tariff is a deliberate interference with trade and commerce for a purpose conceived to be in the national interest. Prior to 1879 it might be said broadly that protection of domestic industries was incidental to the revenue aspect of the tariff. Tariff legislation may be said to have proceeded from the authority of the Dominion Parliament to raise money by any mode or system of taxation. Since 1879 the revenue aspect of the tariff has become increasingly incidental to its primary purpose of affording protection to domestic industries. Tariff legislation, strictly speaking, has proceeded under the authority conferred upon the Dominion Parliament to regulate trade and commerce.

'The adoption of a protective tariff is predicated upon the belief that the competition of the foreign industry with the domestic industry must be limited in the national interest. In other words, certain aspects of external trade and commerce are made subject to legislative restrictions. At the same time it has been assumed, broadly speaking,

that internal competition within the protective barriers must be given free play in the national interest. In other words, trade and commerce in its internal aspect has been left largely without effective supervision or regulation. Tariff duties, anti-dumping legislation and other expedients have been adopted to secure a more adequate protection of domestic industries against competition from foreign countries. Within the boundaries of the nation this policy has been reversed. The ostensible object has been to encourage the maximum of internal competition. The assumption has been that a maximum of internal competition is necessary to safeguard the national economy against the growth and maintenance at public expense of inefficient industries and monopolies. And this despite the fact that the restriction of external competition of itself may have the effect of supporting inefficient industries and of penalizing efficient primary industries by adding to their costs of production. Notwithstanding this evident confusion as to the measuring of efficiency, free competition within the nation has been concomitant of restricted or regulated competition in the wider area of international trade. In respect of external trade free competition is declared to be contrary to the national interest. In respect of internal trade it is declared to promote the national interest. These propositions may be true or false. It is certain at least that the second does not follow logically from the first.

"This is not an academic question. It is related directly to the situation now existing in Nova Scotia. In accordance with the reasoning implicit in the policy of protection in Canada, it may be contended that the decline of industry in Nova Scotia has been the normal, inevitable, and salutary result of free competition in the home market; that the abandoned farms and the factories which have been closed or removed to central Canada were inefficient from the standpoint of location or operation, and that their disappearance is in itself a positive confirmation of this fact. We are asked to acknowledge on the one hand that Nova Scotia industries which have been forced out of existence ought never to have been established, or, having been established, were compelled to cease operations because of their inefficiency. On the other hand we are asked to assume that only the industries which now survive in the Province are located efficiently. Survival has been accepted as the pragmatic test of efficiency.

"We submit that these conclusions can only be accepted with important qualifications. It is necessary to recognize that the protective tariff in the course of its development alters the terms of both internal and external exchange. The tariff creates artificial conditions within which the test of efficiency is to be applied. Heavy duties imposed on agricultural machinery, for example, adopted for the purpose of establishing a domestic implement industry, may so raise the costs of production of Nova Scotia producers of farm products, as to handicap them in disposing of their commodities at a profit in foreign markets. Similarly the necessity of buying agricultural machinery from Central Canada, with transportation costs added to tariff costs, may place Nova Scotia producers under a handicap in the home market in relation to similar producers in Central Canada whose transportation costs on agricultural machinery are substantially less or even negligible.

"Moreover the very reservation of the home market for Canadian manufacturers of a particular product may operate as an encouragement to the deliberate appropriation of this market by one or several producers through the adoption of practices which, while justified legally under the regime of competition, are in fact forms of discrimination which are without economic or social justification. The truth is that laissez-faire may be a sound principle if it operates freely within the boundaries of a world economy, and an unsound principle when operating within boundaries artificially created by a protective tariff. If external competition is restricted in the national interest, internal competition must be brought under supervision and regulation with the same objective in view. Otherwise the economic development of the nation will be left largely to the forces of private exploitation with dangerous consequences to the social and political fabric of the community. What we have failed to see in the past, but are dimly apprehending today, is that a protective tariff can only be justified in a political sense when it is accepted as a segment of a larger policy having as its objective the orderly development of the industrial structure of the nation. If the principle of free competition in its external aspect

is renounced, thus forfeiting for considerations of national security the advantages to be derived from geographical specialization on a world scale, it is essential that the same considerations of order and security shall influence and direct the application of industrial and trade policy within the nation. Otherwise the internal economy of the nation is certain to be thrown off-balance as a result of advantages given to or withdrawn from particular classes or sections of the country as a result of tariff duties working in conjunction with the principle of free competition.

"This is precisely the situation in Canada today, a situation which has been especially prejudicial to the economic welfare of Nova Scotia. It has been demonstrated that under conditions established jointly by federation and the protective tariff the economic life of Nova Scotia has either declined absolutely or has failed to maintain a satisfactory rate of development. The primary industries of the Province have been handicapped by the effect of the protective tariff in raising their costs of production. The manufacturing industries have failed to maintain themselves against the competition offered in their most favourable markets by manufacturers in other Provinces, notably those of Ontario and Quebec.

"The competition of manufacturers outside the Province was a natural sequel to federation. It must also be recognized and acknowledged that manufacturers of other Provinces were exposed equally to competition from manufacturers of similar commodities in Nova Scotia. A question may fairly be raised, however, as to the effect of the protective tariff in altering the terms of free internal competition, having regard to the geographical character of the Dominion and the more favourable position occupied by the manufacturers of Central Canada in relation to the entire home market. It is also important to repeat that in the legal sense competition has implied free exchange of goods without hindrance of law, a definition elastic enough to allow practices which while permissible in law have come to be regarded as having the character of discrimination. As a result of recent investigations conducted by a special parliamentary committee in Ottawa it has been discovered that these practices have extended over a considerable area of industry and trade. It may be conceded that a substantial number of the factories lost to Nova Scotia in the past three decades have been closed because of mismanagement and the rapid evolution of new methods and organizations of production, or in other words because of comparative inefficiency in the strict economic sense. Others, no doubt, have succumbed to a kind of competition which can only be described as discrimination, a deliberately destructive competition designed to appropriate a market through the elimination of competitors. In both cases, however, the state has been largely indifferent to the social and political consequences of the decline of industrial life in a particular section of the country. Having taken the first step towards a planned economy with the adoption of the National Policy in 1879, the Dominion has failed thus far to take the next step towards the internal development of industry and commerce for pre-determined social ends. We have been marooned midway between our point of departure and our logical destination. Our blind step towards national planning, as expressed in a protective tariff has contemplated, generally speaking, only the development of certain selected industries, without great regard to their geographical situation and without effective safeguards against discrimination and other abuses of free competition. It has only benefited in any substantial way those who own, operate and work in these industries, the third group trailing the others by a very wide margin.

"A tariff policy with a true national objective, would recognize the importance of maintaining the health of industries dependent upon export markets, especially as such industries are essential to the economic development of seven of the nine Provinces of the Dominion. In recognition of this fact these industries, agriculture, mining, fishing, and lumbering would be relieved at least of tariff duties on all instruments of production essential to their operation. In other words the vital interest of seven Provinces in lower costs of production in primary industries compelled to sell their products in world markets would be given priority over considerations urged in support of the manufacture of these instruments of production in Canada behind a protective tariff. Similarly, a tariff policy with a true national objective would seem to call for the creation of a board such as a

Federal Trade Commission which would be entrusted with the duty of hearing complaints of unfair competition and discrimination designed to undermine and destroy small industrial establishments catering to neighborhood or provincial markets. It is a truism that free competition in the sense of competition permitted by law has not always been fair competition. In Nova Scotia, as well as in other Provinces, the road to large-scale production and the concentration of manufacturing in Ontario and Quebec has been strewn with the wreckage of small industries whose destruction has involved a social loss and disturbance which by no means has been balanced always by a gain for the national economy.

"But these important elements in a national policy have been conspicuously lacking in the development of the Canadian tariff. Our tariff planning, if it can be called such, has lacked deliberation, has lacked proper co-ordination, and has failed to recognize the economic implications of a federal system of government. We contend that a true national policy must take account not merely of the selection of industries, but must consider as well the inter-relations of industries, their regional distribution, and the social values to be kept in view in building up the economic framework of the nation. Especially in a federal state must these considerations be kept in the foreground of national policy. In a state so organized the economic planning implied in the adoption of the protective system requires that attention be given to the effect of specific tariff duties on the economic and social welfare of its component Provinces. This does not mean that any exact equality of development is within the range of practical achievement. It does mean that a decent approximation of equality of opportunity for development may fairly be demanded as a principle of federal equity.

"It cannot be emphasized too strongly that a federation is a different form of political organization from that of a unitary state. The fact that Canada is organized as a federal state reinforces every argument in support of the regulation of industry and commerce for pre-determined social and political objectives. Had the Provinces of British North America been welded into a legislative union, the Dominion today would constitute one political entity and the inhabitants of this section of the Dominion would have less valid grounds for complaint in the concentration of industrial activity at the centre in accordance with the principle of geographical specialization. There would have been one economy, that of the nation, to develop, and the gains accruing from the shifts of industry to new and more advantageous geographical locations would be conserved, it may be assumed, for the nation as a whole, being reflected in more buoyant revenues, lower taxation, and a higher level of prosperity for the Dominion. But the Provinces were not welded into one. To quote Lord Watson's well-known dictum in the Privy Council decision in "Liquidators of the Maritime Bank of Canada vs. The Receiver-General of New Brunswick": 'The object of the Act was neither to weld the Provinces into one, nor subordinate provincial governments to a central authority, but to create a federal government in which they should all be represented.' The Provinces were formed into a federation. As a consequence they retained their distinct character, and continued to live an individual life within the new and larger political entity which by their common concessions they had helped to create. A federation is an association of provinces. Each member of the association retains its individuality. Each has its own interests apart from the common interests of the association. The source of the political vitality of every Province lies in its traditions, its social institutions, and its economic welfare. Each Province, therefore, is compelled to give its utmost care to the maintenance of its distinct economy. Upon the character of its economic life depends its power to discharge faithfully the responsibilities entrusted to it under the federal constitution. If its economic life is being steadily undermined and weakened it cannot fulfill its constitutional functions and preserve itself from gradual and humiliating extinction. Equally is it true that the strength of the federal association is the strength of its members. It becomes the duty of the stewards of the federal association to safeguard the social and political honour and the economic welfare of its members, to prevent exploitation of the weak by the strong, to compose internal differences as they arise, and to preserve relation-

ships of justice and fair dealing which will prevent the gaining of disproportionate and unreasonable power and influence by some of its members at the expense of others."

EDUCATION

We have already asserted that the disadvantages accruing to Prince Edward Island as a result of the National Policy have been greater than those suffered by any other Province of the Dominion. One of the most serious results of these disadvantages has been the inability of Provincial sources of revenue to meet the expenditures necessary to maintain a reasonable standard of general and technical education.

While Section 93 of the British North America Act, 1867, provided that "In and for each Province the Legislature may exclusively make laws in relation to education," (subject to certain provisions), no provision is made for the financial arrangements resulting therefrom. Whereas at the time of Confederation it was supposed that each Province would be in a position to finance its own educational program, many conditions have since arisen to prove otherwise.

There were a number of reasons for this provision in The British North America Act, among them the safeguarding of racial and religious minorities, the isolation of the Provinces, and the lack of conception on the part of the framers of the Constitution that Canada would become the nation she has become. In the seventy years that have since passed, each Province has built up its own school system, with regard to its own particular needs and any attempt to secure uniformity among the school systems of Canada would meet with serious difficulties.

Similarly it would appear impossible, at the present time, to secure any general agreement for the transfer of educational control to the Dominion Government.

There are, however, different classes of Provinces in Canada: the fortunate ones, and those which have not been so fortunate. Where it is found that a Province is unable, by the exercise of strict economy, to provide such educational facilities as should be the birthright of every Canadian, then the Dominion Government is bound to consider the national aspect of the situation. An approximately equal—not necessarily identical—education is the right of every young person in Canada, and the nation as a whole should take such steps as circumstances will permit to provide this equality.

Statistics will show that our per capita wealth is the lowest in the Dominion. In Prince Edward Island a condition of well-distributed relative prosperity is translated into a feeling of comparative poverty for the reason that all the other Canadian Provinces have inherited great natural resources, which give opportunity for vast expansion. Prince Edward Island, with its present disabilities, can conjure up no such brilliant future.

The earning power of our people is the lowest, and the per capita wealth is the second lowest, of any Province in Canada.

Per Capita Wealth of the Canadian Provinces 1936
(Canada Year Book 1937, p. 863)

British Columbia.....	\$ 3,414.
Alberta.....	2,721.
Saskatchewan.....	2,711.
Ontario.....	2,468.
Quebec.....	2,269.
Manitoba.....	2,201.
New Brunswick.....	1,739.
Prince Edward Island.....	1,558.
Nova Scotia.....	1,514.

Again, in 1933 the per capita sale of life insurance in this Province was the lowest in the Dominion. It amounted to \$11.00, while for all Canada it was \$33.70 per head.

In Prince Edward Island there are 12,800 farms. Of these:
3,400 are of less than 50 acres;
5,200 are between 50 and 100 acres;
3,600 are between 100 and 200 acres; and
600 are over 200 acres and less than 500 acres.

(The Maritime Provinces in their relation to the National Economy of Canada—Dominion Bureau of Statistics, 1934).

Our agricultural set-up is therefore of the small-scale variety. There are no nearby large centres of population to absorb our agricultural products.

No country can hold its own in the modern world without a citizenry which is educated to an extent of which our forefathers would never have dreamed. In the face of these conditions, our nation cannot exist half ignorant and half educated. Provincial lines have faded before our modern transportation facilities. Every child born in one Province is a potential citizen or criminal of some other Province.

In the year 1936 there were in operation in Prince Edward Island 476 schools, employing 657 teachers. Of these schools 413 were one-room rural schools. Only 63, or one-seventh of the schools of the Province, had more than one teacher. The number of children in attendance for 1936 was 18,183. In 1889, fifty years ago, the number of children enrolled in our schools of Prince Edward Island was 23,045. This loss of population, (a direct result of the National Policy), with the consequently increased number of small one-room schools, (150 schools have an average daily attendance of less than 15), has given rise to the most difficult problem the educational authorities of the Province are called upon to solve. These small schools are extremely costly, the cost per pupil being sometimes as much as \$100.00 per annum. And yet these schools must be kept in operation.

Of the 657 teachers in the schools in 1936, there were 120 beginners. Another 100 had only one year's experience. 114 had from five to ten years' experience, while only 118 had taught for ten years or more. It is evident that under exist-

ing conditions the teaching profession has no permanent attraction, certainly none whatever in the one-room rural school. The average time spent in the profession by the 657 teachers is about six years. Moreover, 465 are young women, the majority of whom are still in their teens. Only 34 men with more than ten years' experience are now employed in our schools and of these only seven have had more than twenty years of service.

Prince Edward Island is the only Province in Canada where the principle of governmental responsibility in education has been recognized, and expenses paid, by more than fifty per cent. In this Province, as the following table shows, more than sixty per cent of the total cost of education and more than seventy per cent of teachers' salaries, are borne by the Provincial Government:

Table No. 1

	Total expenditure for education	Government expenditure for education*	%
1930	\$496,234.22	\$306,390.40	61.7
1931	510,951.63	321,507.63	62.9
1932	543,307.50	324,830.87	59.7
1933	526,921.45	344,109.25	65.3
1934	513,658.01	347,954.00	67.7
1935	575,701.09	351,778.88	61.0
1936	543,109.49	343,938.68	63.0
Average per cent —			63.0

Table No. 2

	Total salaries paid teachers	Amount paid by Government	%
1930	\$342,928.00	\$249,246.00	72.6
1931	356,791.00	258,904.00	72.5
1932	353,953.00	263,034.00	74.3
1933	348,689.00	264,210.00	78.6
1934	346,282.00	262,351.00	75.7
1935	348,471.00	264,541.00	75.9
1936	354,449.00	265,723.00	75.8
Average per cent —			74.9

*Gross.

Without Crown Lands, without natural resources, without manufacturing industries, without any distinctive advantages, our limited financial resources not only fail to permit the undertaking of a complete system of education,—but the very existence of the present one is often seriously threatened.

It must be agreed that the national importance of education justifies the Dominion Government in taking what steps circumstances will permit to foster this service, the most important of all the social services, and to give aid where aid is needed to those provinces which, like Prince Edward Island, are unable to secure revenues adequate to maintain a reasonable standard of general education.

The standard of general education should be the same throughout Canada. Some Provinces are unable to maintain this standard. It remains for the Cana-

dian Government to equalize this difference. No state can rise above the level of the education of its citizens.

The concentration of wealth in certain areas, creating inequalities in funds available for the education of children, has become a grave national problem. This problem can be solved only by the Federal Government, the sole agency which collects taxes over the entire nation and distributes them to promote the welfare of the whole nation. Problems which affect the welfare of the entire nation, no matter how localized, should be declared national problems and dealt with as such. We should tax the wealth of the nation wherever it is found to educate the children of the nation wherever they are.

In Prince Edward Island we are able to spend far less per pupil per annum than any other Province; and yet our Provincial Government pays more than twice as much towards such cost as any other Province.

The following table shows the amount spent on schools in the various Provinces in 1934:

	Amount	Average attendance	Amount per pupil
Prince Edward Island.....\$	428,055.	13,399.	\$31.95
Nova Scotia.....	3,735,048.	93,294.	40.03
New Brunswick.....	2,568,533.	72,109.	35.62
Quebec.....	21,237,377.	542,355.	39.16
Ontario.....	43,028,428.	614,249.	70.05
Manitoba.....	6,617,753.	120,314.	55.00
Saskatchewan.....	7,557,281.	175,457.	43.07
Alberta.....	9,551,849.	139,155.	68.64
British Columbia.....	7,655,193.	103,408.	74.03

Percentage of Provincial Government Expenditure on Education of Total Expenditure on Education by Provinces (1933).

Prince Edward Island.....	65.3
British Columbia.....	29.9
Nova Scotia.....	25.8
Quebec.....	22.4
Saskatchewan.....	20.3
New Brunswick.....	17.3
Manitoba.....	15.9
Alberta.....	14.9
Ontario.....	12.0

We are further of the opinion that federal grants should not be stated to be specifically in aid of any one branch of education, such as agricultural, technical, or commercial schools. To do this would run the risk of artificially stimulating a given class of education.

We must have a system carefully thought out and efficiently administered, one which will balance the needs of the whole of Canada in education against the resources of the whole of Canada. It is for this reason that we favour substantial Dominion subsidies definitely earmarked for education, though not for any specific educational service, and granted on some basis of provincial need.

FINANCIAL ARRANGEMENTS WITH THE DOMINION

It has been laid down as a basis of proceedings that the present Royal Commission "will not review findings of the Duncan or White Commissions but will accept these as part of the general situation affecting Dominion-Provincial relations."

From the point of view of Prince Edward Island, this ruling must be subject to the following limitations:

(A) The Province cannot accept the finality of the findings of the White Commission.

In the report of the Duncan Commission, at p. 19, we find the following conclusion on financial arrangements:

"6. Conclusion on Financial Arrangements.

It follows from what we have said, that both in respect of grants for the machinery of governments and in respect of debt allowances, the Maritime Provinces have satisfied us that they have a genuine claim to a readjustment of the financial arrangements that exist between the Dominion and themselves, and that in any readjustment their territorial limitations entitle them to still further consideration.

The terms of readjustment are obviously a matter for detailed determination and assessment, so that the actual amount—as well as the reasons and purposes attaching to it—can be recognized by the rest of Canada as fair and equitable. It is not possible, therefore, to make a final recommendation as to the increase and form of Dominion aid which is required to satisfy the just claims of the Maritime situation, but we recommend that the Dominion Government should give immediate consideration to the whole of this subject, with a view to a complete revision of the financial arrangements as between them and the Maritime Provinces. We do not feel, however, that it would be right or wise that the Maritime Provinces, in their present state of grave necessity, with deficits accumulating against them in their ordinary revenue and expenditure, should be left in suspense until a reassessment is made by the Dominion Government, and accordingly we recommend that immediate interim lump sum increases should be made in the payments to the three Maritime Provinces as follows:—

Nova Scotia.....	\$ 875,000.
New Brunswick.....	600,000.
Prince Edward Island	125,000.

These interim payments should be continued until the Dominion Government has had time to complete its investigation and reassessment."

Attention is especially directed to the following words: "The terms of readjustment are obviously a matter for detailed determination and assessment."

The White Commission, as appears by a recital in its commission of authority, was appointed to "deal with the recommendation of the Duncan Commission, that there be a revision of the financial arrangements between the Dominion

Government and the Maritime Provinces." This clearly inferred that the duty of the White Commission was the "detailed determination and assessment" reserved by the findings of the Duncan Commission.

The White Commission, however, (at p. 21 of its report) comes to the conclusion that "the assessment in detail of each of the claims presented before us is manifestly impracticable."

It will therefore be seen that the White Commission, while finding impracticable the specific function which they were appointed to perform, fell back on what they termed their own best judgment, and decreed that the result of their best judgment should be a final equitable settlement of the claims brought before them for adjudication.

This Province obviously cannot accept the finality of such a finding.

(B) One of the important aspects of the "detailed determination and assessment," which was the intended function of the White Commission, was clearly the fiscal need of the Provinces. So manifestly was this consideration overlooked in the finding of the White Commission that a memorandum of dissent was filed by the Honourable John A. Mathieson, C.J., and incorporated in the report of the Commission. At p. 23, the Honourable Mr. Mathieson says: "The report greatly minimizes, if it does not quite repudiate, the relevance of the question of fiscal need . . . vital questions referred to this Commission remain undetermined by this report, and the increase of subsidy proposed will give but partial and temporary relief. The lapse of more than eight years since the Duncan report went into effect has witnessed such necessary increases in Government expenditures in the case of all the Provinces as will quickly absorb the present proposed increases, and still leave them in a position to compel diminution of necessary expenditure on provincial services, or a further increase of provincial debt or of local taxation, or of all three combined."

The prediction of the learned Chief Justice was more than amply justified by the fact that in 1935, the first year in which Prince Edward Island received the full additional subsidy recommended by the White Commission, the Province had a deficit on ordinary account alone amounting to over \$376,000. This is in spite of the fact that Prince Edward Island has never considered itself able to afford many of those social services which have borne so heavily upon the governments of many of the other Provinces.

The Province of Prince Edward Island must therefore insist upon the above limitations to accepting the findings of the Duncan and White Commissions, and must submit that even under the present general situation affecting Dominion-Provincial relations this Province is not receiving due consideration from the Dominion.

The inequalities of the situation seem to be growing, rather than lessening. In the comparatively new field of direct relief, in which the Dominion has in recent years made grants-in-aid to the various Provinces, a comparison can be readily obtained.

The following table of grants-in-aid of direct relief by the Dominion to the various Provinces from August 1934 to March 31, 1937, speaks for itself:

Prince Edward Island.....	\$ 76,961.
Nova Scotia.....	1,587,450.
New Brunswick.....	987,781.
Quebec.....	19,755,625.
Ontario.....	23,706,750.
Manitoba.....	5,334,019.
Saskatchewan.....	7,902,250.
Alberta.....	3,951,125.
British Columbia.....	5,926,687.

\$ 69,228,648.

The above table clearly indicates the almost ridiculously small assistance which Prince Edward Island has been receiving from the Dominion Treasury, in comparison with the grants to the other Provinces. In this, as in a great many other respects, this Province appears to be penalized by the Dominion for the drastic economies which the Island exercises in its provincial expenditures.

FRUGALITY AND TAXATION

It has been only by the exercise of the very greatest care that Prince Edward Island has avoided insolvency; this care has extended in two directions:

(A) A most drastic economy in expenditures. This has not only meant doing without a great many services enjoyed by the other Provinces, but has involved maintaining the barest necessities of administration, education, and other public services, on a scale and at a cost ridiculously low in proportion to those prevailing throughout the other Provinces.

(B) The Province has exploited every feasible means of raising a provincial revenue. In the words of critics, successive governments of the Province have taxed everything tangible and intangible. It will be found that the number and variety of provincial taxes in this Province is unusually great, and that in almost every branch of taxation our rates are considerably higher, and our scale of exemptions considerably lower, than those prevailing throughout the other Provinces.

(A)

The following list will indicate some of the respects in which this Province has done without public services, or carried them on at an abnormally low rate of expenditure:

(1) Prince Edward Island has no Mothers' Allowances.

(2) Prince Edward Island has no technical education.

(3) Until recent years the Province was able to spend practically nothing on hospitalization, or public health services. A public health service was started in 1931, but up to the present the sum which the Province has been able to spend on these services is entirely inadequate to the needs of the situation.

(4) Owing to lack of revenue, the Province has been able to touch only the fringe of the problems of juvenile delinquency and child welfare.

(5) Since the inauguration of Old Age Pensions, Prince Edward Island has paid its pensioners on the basis of a maximum pension of \$180.00 per year, whereas every other Province which has inaugurated the scheme is paying on a basis of \$240.00 per year. Even with this peculiar economy, the Old Age Pension system imposes a heavy strain upon the finances of the Province.

The table given below indicates the average monthly payment to old age pensioners in every Province in Canada for the year 1936:

Alberta.....	\$18.27
British Columbia.....	19.20
Manitoba.....	18.68
New Brunswick.....	13.50
Nova Scotia.....	14.63
Ontario.....	18.32
Prince Edward Island.....	10.63
Quebec.....	17.95
Saskatchewan.....	16.51
N. W. T.....	18.98

(6) The school teachers of the Province, as well as all those engaged in educational work, are grossly underpaid, the average yearly remuneration of the primary and graded schools of Prince Edward Island, including both city and country districts, from all sources (Government as well as local district) may be shown under the following classification:

Schedule	
First Class teachers, male.....	\$ 697.
First Class teachers, female.....	601.
Second Class teachers, male.....	493.
Second Class teachers, female.....	445.
Third Class teachers, male.....	400.
Third Class teachers, female.....	368.

The remunerations of teachers in academies and junior colleges are correspondingly inadequate. This situation is very unfortunate, as it prevents the teaching profession from having that degree of permanency and prestige which is so necessary to the successful operation of an educational system. But the Province is practically helpless in the situation, as no additional provincial source of revenue can be discovered which would improve the conditions referred to.

(7) The public servants of the Province engaged in the various branches of the administration are employed at an excessively low scale of payment. The number of public employees is inadequate to the carrying out of necessary services: the resulting overwork imposed on public employees and the extremely low rate of wages paid preclude the expansion and efficient operation of public services so urgently demanded by modern conditions.

Following are a few instances of the annual salaries paid to public officials of the Province:

Premier of the Province.....	\$ 1,000.00
Minister of Public Works and Highways (full time).....	2,000.00
Minister of Agriculture (full time).....	2,000.00
President of the Council.....	1,000.00
Attorney-General (including full administration of Government Liquor Stores and enforcement of liquor laws).....	2,000.00
Minister of Education.....	1,000.00
Provincial Secretary-Treasurer.....	500.00
Minister of Public Health.....	500.00
Total Ministers' salaries.....	\$ 10,000.00

Members of Legislature (including four Cabinet Members without Portfolio) each.....	400.00
Speaker of Legislative Assembly.....	200.00
Clerk of Legislative Assembly.....	450.00
Law Clerk of Assembly.....	250.00
County Stipendiary Magistrates.....	650.00
County Crown Prosecutors.....	550.00
Official Court Reporter.....	900.00
High Sheriffs, each.....	500.00
Deputy Minister of Public Works and Highways.....	2,000.00
Deputy Minister of Agriculture.....	2,000.00
Chief Superintendent of Education	2,500.00
Provincial Auditor.....	2,500.00
Deputy Provincial Secretary-Treasurer and Clerk of Executive Council.....	2,000.00
Chief Clerk of Superior Courts.....	1,500.00
Superintendent of Old Age Pensions.....	1,500.00
Medical Superintendent Falconwood Hospital.....	2,500.00
Matron Provincial Infirmary.....	720.00
Supervisor of Taxation and Succession Duty.....	2,200.00
Wholesale Liquor Vendor and Accountant.....	1,500.00
Retail Liquor Vendors (average).....	860.00
Clerks and Accountants (average).....	1,000.00
Stenographers and Junior Clerks (average).....	650.00
Highway and Bridge Engineers.....	1,600.00

(8) In regard to direct relief, the Province of Prince Edward Island, as well as the City of Charlottetown and other towns in the Province, have carried on this necessary service during the past seven years with a minimum of expense. The line of demarcation between those who are unemployed and those who are employed is much less finely drawn in an agricultural Province than in the larger Provinces; only those who are in actual distress have received this form of assistance in Prince Edward Island.

Not only so, but the amounts paid to individual recipients of relief in this Province have been very much lower than throughout the rest of the Dominion. The table already set forth, showing the grants-in-aid made by the Dominion Government to the various Provinces, indicates that the Dominion appears to have penalized this Province for the drastic economies which we have exercised in the administration of direct relief.

In spite of every economy which we were able to exercise in this direction, the urgent distress prevailing among our unemployed during the past few years has necessitated the following expenditures:—

Direct Relief Cost to Province	1930-1937 incl.	\$ 140,199.
Unemployment Projects Cost to Province	" " "	1,493,248.
Total Relief Cost to Province	" " "	\$ 1,633,447.
Direct Relief Cost to City & Towns	" " "	101,405.

Some of the Provinces have received very large grants from the Dominion Government for purposes of relief: some have borrowed their share of relief payments from the Dominion Government, and now seek to have the resulting loans cancelled. Prince Edward Island has paid her share of relief by taxation

and by borrowing from the public. If the Dominion Government decides to cancel any loans made to the Provinces for purposes of relief, Prince Edward Island will be equally entitled to a grant from the Dominion Government for the purpose of refunding the amounts expended by this Province on relief during the past eight years.

The Duncan Commission very carefully reviewed in detail the provincial accounts of the three Maritime Provinces over a long period, and have expressed their conclusion on this point at page 15 of their report:

"In trying to form a judgment on this subject, we have applied tests—such as: (a) Is the expenditure which the Provinces are incurring reasonable? and (b) Are they accepting, in a reasonable measure, the underlying principle of the whole of this branch of finance, namely, that Provinces are expected to supplement their revenues from sources of their own, or they are expected to be free to spend as they like and to look to the Dominion to meet the bill? We have gone over the Provincial accounts of the three Provinces in detail. The scope of administration—take public works as an example—has certainly increased, and it is not easy to draw a hard and fast line as to where government machinery ends. But many departments of their activity are being run at a surprisingly low cost, and WE FEEL SATISFIED THAT THEY CERTAINLY ARE NOT ON THE WHOLE INCURRING UNREASONABLE EXPENDITURE. Nor do we feel that in view of the burdens they are carrying they can be expected to meet from their own revenues the increased cost of their machinery of government WE ARE SATISFIED THAT THEY DO RECOGNIZE THAT PROVINCES ARE EXPECTED TO SUPPLEMENT THEIR REVENUES FROM SOURCES OF THEIR OWN, AND THAT THEIR PRESENT FINANCIAL POSITION DOES NOT ARISE FROM ANY MISCONCEPTION SUCH AS THAT PROVINCES SHOULD BE FREE TO SPEND AS THEY LIKE AND TO LOOK TO THE GOVERNMENT TO MEET THE BILL. A REVIEW OF THEIR FINANCIAL OPERATIONS OVER A LONG PERIOD SUGGESTS FRUGAL EXPENDITURE."

On the 20th of January, 1930, the Audit Board of Canada was directed by the Dominion Government to conduct an enquiry as to an equitable assessment of the claims of the Maritime Provinces, as recommended by the Duncan Report. In October, 1930, the Audit Board made a report to the Government of Canada, from which the following is an extract:

"The Provinces of Nova Scotia and Prince Edward Island showed deficits in their Public Accounts for the fiscal year, and the Province of New Brunswick showed a slight surplus. We are sure that if they made expenditures upon education, health and other public welfare services proportionate to that of the other provinces of Canada, these adverse financial results would be far greater."

The Jones Commission, appointed by the Government of Nova Scotia in 1931, confirmed the statement made by the Duncan Commission in relation to provincial expenditures (page 73), as follows:

"We also share the opinion expressed by the Royal Commission on Maritime Claims that the expenditures of Nova Scotia have been kept within reasonable and prudent limits. We feel that the Province has almost reached the limit of revenue that is available from taxation, with existing resources in industry and population. It is for this reason that it has been found necessary to borrow money for the purpose of meeting the charges arising from the old age pension scheme, and this shows the impracticability of attempting to establish, without external assistance, further social services that are within reach of other provinces and actually enjoyed in other countries."

"We have referred to the fact that the deficit from which the Province was suffer-

ing at the time when the Royal Commission on Maritime Claims submitted its recommendation was due to the inability of the economic resources of the Province to meet the requirements of public expenditures needed to support that type of economic life that was regarded as the common heritage of Anglo-Saxon communities. We believe that what was true of the time at which the Commission sat and reported is substantially true today, with the difference that whereas in 1926 the condition of industry and trade was relatively satisfactory, at the present time it is under the influence of the world depression."

And the White Commission, in investigating this same matter after referring to the increased public debt of the Province stated, at page 12 of its report:

"Outside of capital expenditures the administration of all three Maritime Provinces appears to us to have been quite economical and even, as characterized by the Duncan Commission, "frugal." The salaries paid to their ministers of the Crown, officials and other public servants and the limited provision made for social services are on a much lower scale than that prevailing in the other provinces. Every other provincial government in Canada has or has had during recent years heavy budgetary deficits. It was inevitable that they should have, owing to their vast capital expenditures in the "boom" years and relief necessities during the period of depression. We should, however, under this heading consider that inability to meet, out of their annual revenues, the servicing of their public debts and their other ordinary expenditures, the Maritime Provinces are handicapped by the conditions to which we have alluded, of an isolated economic position with respect to the rest of Canada, a stationary or declining population and less per capita wealth and taxable capacity than most, if not all, of the other provinces of the Dominion."

A comparison of the public accounts of the three Maritime Provinces will clearly indicate that the expenditures of Prince Edward Island have been even more "frugal" than those of her sister Provinces of Nova Scotia and New Brunswick.

(B)

We may also specify the following respects in which the Province of Prince Edward Island has exploited every feasible source of taxation and revenue:

(1) Prince Edward Island was one of the first provinces to impose an income tax. The provincial income tax is still maintained, and a study of the legislation will indicate the high rates and low scale of exemptions in force in this connection.

(2) The Prince Edward Island succession duty is maintained with higher rates and lower scale of exemptions than prevail in most of the other provinces.

(3) The Province collects an amusement tax at as high a rate as is considered feasible, being higher than the rate prevailing in most provinces.

(4) The provincial gasoline tax is unquestionably the highest of any Canadian province, being now fixed at ten cents per gallon.

(5) A tax on the registration of passenger motor vehicles is imposed at the rate of 50 cents per hundred weight, together with certain small fixed charges. A higher rate of registration is also imposed upon motor trucks.

(6) A tax on chain stores on the basis of \$2,000.00 per branch is imposed, and is probably at the highest rate of any in the Dominion. Chain theatres are taxed, each branch \$500.00. Pedlars are taxed, each from \$50.00 to \$200.00.

(7) A personal property tax of .5% is imposed on all personal property, with the exception of farm moveables and other kindred articles. This tax is closely connected with the income tax and is principally invoked in cases where the taxpayer's income is relatively small in proportion to the amount of personal property which he owns.

(8) A real property tax of .4% is imposed by the Province on all land outside the city and incorporated towns. The tax imposed on real estate by the city and towns is at a considerably higher rate. It may be noted that the provincial land tax is in addition to a local school district tax imposed for school maintenance and teachers' supplements. The school district land tax assessment is at an average rate somewhat in excess of the provincial land tax. Both Provincial Government and school district authorities have in recent years experienced the greatest of difficulty in collecting the land tax assessment. This is not to be wondered at in view of the decrease in financial returns for farm products in Prince Edward Island from \$22,530,000. in 1926 to \$7,704,000. in 1935. The value of the total net production of our fisheries declined in the same period from \$1,359,000. to \$900,000. (Canada Year Book, 1937).

(9) The Province also imposes a personal road tax, a horse tax, and a dog tax.

(10) Fire Insurance Companies are taxed at the flat rate of \$225.00.

(11) Life Insurance Companies are taxed, on gross premiums—2%.

(12) Acceptance corporations are taxed, each \$500.00.

(13) Accident and Guaranty Companies are taxed, each \$100.00.

(14) Accident Insurance Companies are taxed, each \$75.00.

(15) Guaranty Companies are taxed, each \$50.00.

(16) Banks are taxed, on average loans and deposits—1/9 of 1%.

(17) Trust Companies are taxed, each \$400.00.

(18) Loan Companies are taxed, each \$100.00.

(19) Telegraph Companies are taxed, each \$800.00; Telephone Companies are taxed, on gross earnings—1½%; Gas and Electric Power Companies are taxed on gross earnings—1½%.

(20) Steamship Companies are taxed, each \$1,500.00.

(21) Wholesale gasoline distributors are taxed, each \$250.00.

(22) Advertisements along the highways are taxed at as high a rate as is considered prudent.

The Province is now under the most urgent necessity of expanding the public health service, particularly in the direction of the treatment and prevention of tuberculosis. Existing revenues are entirely inadequate to provide the necessary expansion, and therefore the Government is forced to consider, in addition to taxes already in force, the raising of a special revenue by direct taxation for this purpose. It is not anticipated that a very substantial amount

can be raised in this manner, but the urgency of the situation may drive us to imposing an additional burdensome tax, even if the amount collected is comparatively small.

From the above list, it will be seen that the Province has imposed a great number and variety of taxes, and in fact has exhausted every source and method from which substantial revenues may be derived.

THE FUNDAMENTAL QUESTION OF FISCAL NEED

Having established that Prince Edward Island has maintained her provincial solvency by a drastic frugality in expenditures, coupled with the exploitation of every feasible source of revenue, we may now revert to the principle which has always been regarded as fundamental in the determination of financial questions between the Dominion and the Provinces. We refer to the basic consideration of "fiscal need," which has recently received official recognition in the memorandum of dissent filed by Chief Justice Mathieson as a part of the report of the White Commission.

Numerous Dominion-Provincial conferences have held sessions during the past number of years to deal with claims of various provinces against the Dominion; several commissions have sat to consider such claims, among which we may enumerate the Duncan Commission, the Audit Board, the Nova Scotia Jones Commission, and the White Commission. Before such commissions and at such conferences Prince Edward Island, in common with other provinces of the Dominion, has repeatedly urged and elaborated her many claims against the Dominion Government. Yet underlying the various claims from time to time urged by provinces, there persisted the basic conception of provincial fiscal need.

In the general revision of 1907 fiscal need was clearly the starting point from which subsidies were worked out. Sir Wilfred Laurier, in justifying the figures agreed upon in the conference which preceded the request of the amendment of the British North America Act, spoke as follows:

"Why was the basis fixed in 1861 for the allotment of 80 cents? I have searched for the reason, and the only one I can find is this, that a calculation was made by the Minister of Finance of the various provinces according to the statement by Colonel Grey, by Mr. Brown, by Dr. Tupper, by Sir Leonard Tilley, by Mr. Shea and others, and they came to the conclusion that this would be a fair basis upon which to meet the wants of the provinces. That was their judgment, and in 1906 we took as a basis of judgment of the Ministers of the several provinces assembled with us, who told us that, according to their experience, this was the amount they needed in order to carry on their public affairs. They had no other basis than that."

For the reasons hereinbefore mentioned, this Province is unable to accept the finality of the report of the White Commission in regard to our claims against the Dominion. It is not, however, proposed that this brief should set out or reiterate such claims, as their existing status is assumed by the present Commission as a part of the general situation affecting Dominion-Provincial relations.

The question of fiscal need, on the other hand, does not submit itself to such an assumption, but remains a very essential factor in any consideration towards a readjustment of the constitutional set-up of Dominion-Provincial relationships.

The best index of the actual fiscal need of the Government of Prince Edward Island can be obtained by the compilation of what may be termed a model budget of minimum reasonable expenditures. Owing to the importance of this calculation we are incorporating the details of the draft in the body of this brief, rather than in an appendix. The budget of expenditures is not intended to be an ideal budget, but to represent the minimum of expenditures which would be absolutely necessary to bring the public services of the Province up to a minimum standard. It will be noted that the detailed expenditures set forth in this specimen budget are still on a scale considerably lower than prevails in the other Provinces.

Details of revenue and expenditure for such a minimum model budget are as follows:

MINIMUM MODEL BUDGET

ESTIMATED REVENUE

<u>Item No.</u>	<u>Source</u>	<u>Total Estimated Revenue</u>
1 DOMINION GOVERNMENT SUBSIDIES		
(A)	Government and Legislation.....	\$250,000.00
(B)	Debt Allowance, etc.....	34,920.00
(C)	Population.....	87,262.00
(D)	Interim.....	275,000.00
		<hr/> 647,182.00
2 TAXES		
(A)	Real Property.....	97,000.00
(B)	Personal Property.....	21,000.00
(C)	Corporation Taxes—	
(1)	Banks.....	\$ 18,000.00
(2)	Chain stores.....	8,000.00
(3)	Electric power companies.....	3,300.00
(4)	Acceptance corporations.....	1,500.00
(5)	Oil companies.....	1,000.00
(6)	Life Insurance companies.....	12,000.00
(7)	Steamship companies.....	450.00
(8)	Telegraph companies.....	800.00
(9)	Telephone companies.....	2,600.00
(10)	Trust and Loan companies.....	4,000.00
(11)	Fire insurance companies.....	14,000.00
(12)	Accident and Guarantee companies.....	1,000.00
(13)	Domiciled companies.....	50,000.00
		<hr/> 116,650.00
(D)	Canadian National Railway Property Tax.....	40,000.00
(E)	Amusement Tax.....	10,000.00
(F)	Gasoline Tax, less rebates.....	240,000.00
(G)	Succession Duties.....	40,000.00
(H)	Income Tax.....	35,000.00
(I)	Road Tax.....	49,000.00
		<hr/> 648,650.00

3 LICENSES, PERMITS AND FEES

(A) Motor Vehicle licenses.....	130,000.00	
(B) Peddlers' licenses.....	350.00	
(C) Court and Legal fees.....		
(1) Prothonotary.....	2,500.00	
(2) County Court.....	1,000.00	3,500.00
(D) Land titles and Registry Office fees.....	7,000.00	
(E) Letters Patent fees.....	1,000.00	
(F) Education fees.....		
(1) Examination.....	1,000.00	
(2) Sessional.....	7,000.00	8,000.00
(G) Brokers.....	1,100.00	
(H) Insurance Agents.....	285.00	
(I) Marriage Act.....	1,200.00	
(J) Vital Statistics.....	650.00	
(K) Commissions, etc.....	50.00	
(L) Private Bills.....	200.00	
(M) Ferry fees.....	3,500.00	156,835.00
4 LICENSED LIQUOR VENDORS.....		46,000.00
5 FINES AND PENALTIES.....		5,500.00
6 SALE OF SUNDRY ARTICLES AND COMMODITIES.....		700.00
7 OTHER REVENUES AND REFUNDS OF EXPENDITURE.....		
(A) Public Health.....	2,150.00	
(B) Old Age Pensions from other Provinces.....	800.00	
(C) Department of Agriculture.....	1,500.00	
(D) Casual Revenue.....	1,200.00	5,650.00
TOTAL ORDINARY REVENUE.....		<u>\$1,510,517.00</u>

ESTIMATED EXPENDITURE

Item No.	Classification		Total Estimated Expenditure
1	DEBT CHARGES		
	Interest on Debentures, Loans and Bank Overdraft.....	\$300,000.00	
	Sinking Fund Provision.....	214,000.00	\$ 514,000.00
2	PUBLIC WELFARE		
(A)	Public Health		
(1)	Administration, including nurses salaries.....	\$ 17,400.00	
(2)	Drugs and hospital supplies.....	2,000.00	
(3)	Venereal disease treatments.....	500.00	
(4)	Laboratory expenses.....	1,000.00	
(5)	Travelling expenses.....	10,000.00	
(6)	Food Inspection.....	3,000.00	
(7)	Grant to Junior Red Cross Society.....	1,750.00	
(8)	Grant to Free Dispensary.....	500.00	
(9)	Dental Clinics.....	1,000.00	37,150.00
(B)	Falconwood Hospital and Provincial Infirmary.....	138,580.00	
	Less fees and sale farm produce.....	12,000.00	126,580.00
(C)	Grants to Hospitals.....		17,000.00
(D)	Child Welfare		
(1)	Administration.....	600.00	
(2)	Children's Aid Societies.....	3,000.00	
(3)	Juvenile Delinquents.....	10,000.00	13,600.00
(E)	Old Age Pensions		
(1)	Administration.....	11,750.00	
(2)	Pensions.....	270,000.00	
		281,750.00	
	Less Dominion Subvention.....	202,500.00	79,250.00

(F) Unemployment Relief			
(1) Administration.....	3,000.00		
(2) Direct Relief payments (net).....	32,000.00	35,000.00	
(G) Vital Statistics.....		700.00	
(H) Charitable Institutions			
(1) Provincial Sanatorium.....	48,000.00		
(2) Orphanages.....	4,000.00	52,000.00	
(I) Other charitable grants			
(1) School for the Deaf (Halifax).....	2,500.00		
(2) School for the Blind (Halifax).....	1,000.00		
(3) Canadian National Institute for Blind.....	1,000.00	4,500.00	
(J) Youth Training.....		15,000.00	380,780.00
3 EDUCATION			
(A) Prince of Wales College and Normal School			
(1) Current expenses, including salaries.....	50,650.00		
(2) Maintenance of building.....	15,000.00	65,650.00	
(B) Inspection of Schools.....		15,500.00	
(C) Examinations.....		1,350.00	
(D) Libraries.....		30,250.00	
(E) Teachers' Pensions and Superannuation.....		12,750.00	
(F) Teachers' Salaries and Supplements.....		400,000.00	
(G) Scholarships.....		1,000.00	
(H) Adult Education.....		4,000.00	530,500.00
4 ADMINISTRATION OF JUSTICE			
(A) Courts and Court Officials			
(1) Salaries.....	12,550.00		
(2) Contingencies and other expenses.....	7,500.00		
(3) Maintenance of buildings.....	5,000.00	25,050.00	
(B) Policing			
(1) Magistrates' salaries.....	2,800.00		
(2) Asst. Crown Prosecutors' salaries.....	2,500.00		
(3) Crown Prosecution expenses.....	3,000.00		
(4) R. C. M. Police.....	20,000.00	28,300.00	
(C) Gaols			
(1) Administration.....	4,900.00		
(2) Maintenance of buildings.....	14,000.00	18,900.00	
(D) Coroners' Inquests.....		1,500.00	73,750.00
5 LEGISLATION			
(A) Repairs to Government House.....		1,000.00	
(B) Elections, etc.....		1,400.00	
(C) Legislative Assembly			
(1) Members' Indemnity.....	18,300.00		
(2) Salaries of officials.....	2,400.00		
(3) General expenses.....	2,500.00	23,200.00	
(D) Legislative Library.....		4,000.00	29,600.00
6 AGRICULTURE			
(A) Livestock and Poultry.....		8,000.00	
(B) Grants to Farmers' Institutes.....		800.00	
(C) Dairying—expenses.....		300.00	
(D) Horticulture.....		5,000.00	
(E) Exhibitions and Live Stock Judging.....		15,000.00	
(F) School Fairs.....		4,000.00	
(G) Women's Institutes.....		10,000.00	
(H) Skunk and Owl Bounty.....		2,600.00	
(I) Grant to Maritime Transportation Comm.....		1,000.00	
(J) Miscellaneous.....		1,300.00	
(K) General Field Services.....		12,000.00	60,000.00
7 TOURIST PUBLICITY			12,000.00

8 HIGHWAYS, BRIDGES AND FERRIES

(A) Administration and supervision			
(1) Engineers' salaries and expenses.....	15,000.00		
(2) Highway Foremen, remuneration	12,000.00		
(3) Other expenses	4,000.00	31,000.00	
(B) Maintenance of highways.....		250,000.00	
(C) Maintenance of bridges.....		40,000.00	
(D) Maintenance of ferries.....		30,000.00	
(E) Maintenance of wharves.....		3,000.00	
(F) Bushing ice.....		1,300.00	355,300.00

9 OTHER CURRENT EXPENDITURES, INSURANCE, ETC.

5,100.00

10 GENERAL GOVERNMENT

(A) Ministers of the Crown			
(1) Salaries			
(a) Ministers	17,300.00		
(b) Secretaries.....	3,000.00		
(2) Expenses			
(a) Ministers' travelling.....	1,900.00		
(b) Other	500.00	22,700.00	
(B) General Departmental Offices			
(1) Salaries			
(a) Justice.....	1,100.00		
(b) Agriculture.....	11,800.00		
(c) Education.....	7,900.00		
(d) Executive Council.....	900.00		
(e) Health.....	4,600.00		
(f) Treasury	17,900.00		
(g) Audit.....	5,400.00		
(h) Province Building.....	2,400.00		
(i) Public Works and Highways	9,300.00	61,300.00	
(2) Expenses			
(a) Justice.....	500.00		
(b) Agriculture.....	10,550.00		
(c) Education.....	2,800.00		
(d) Health.....	1,750.00		
(e) Treasury.....	10,500.00		
(f) Audit.....	1,000.00		
(g) Public Works and Highways.....	4,000.00		
(h) Fishermen's Loan Board.....	3,000.00		
(i) Postage.....	5,000.00		
(j) Telephone and telegrams.....	3,800.00		
(k) Sundry expenses.....	4,000.00	46,900.00	
(3) Maintenance of Buildings.....		7,500.00	
(C) Registry Offices			
(1) Salaries.....	8,000.00		
(2) Expenses.....	500.00	8,500.00	
(D) Pensions to Public Servants.....		2,500.00	
(E) Miscellaneous Grants			
(1) Queen Square Gardens.....	2,000.00		
(2) Fire Departments.....	900.00		
(3) Fire Marshall.....	500.00		
(4) Electrical Inspector.....	1,000.00		
(5) Rifle Association.....	100.00		
(6) Maritime Province Club.....	100.00	4,600.00	
(F) Miscellaneous—General.....		2,000.00	156,000.00

TOTAL ORDINARY EXPENDITURE.....

\$2,117,030.00

The general conclusion to be arrived at from the foregoing budget is a minimum deficit of \$606,513.; in other words, for the Province of Prince Edward Island to establish its public services upon the basis of a minimum reasonable standard, the present provincial sources of revenue would require to be supplemented by an amount not less than \$606,513.; or, in the alternative, the Provincial Treasury would need to be relieved of the expenses involved in certain of our necessary public services pro tanto.

We have clearly shown that the practicable limits of provincial taxation in Prince Edward Island have already been reached, or even passed; the only solution of our problem of fiscal need would therefore appear to be further relief or assistance from the Dominion Government.

There are certain of the Provincial public services, which, for reasons hereinafter set forth, should be taken over by the Dominion Government. The transfer of these public services would relieve the Province, on the basis of the estimates in the foregoing specimen budget, to the following extent:

Direct Relief.....	\$ 35,000.
Old Age Pensions and Pensions to Blind Persons.....	67,500.
Administration of Pensions.....	11,750.
Provincial Sanatorium.....	48,000.
Grants to Hospitals.....	17,000.
Public health services.....	43,000.
Total.....	<u>\$222,250.</u>

On the assumption that the Dominion Government will not take over the direct administration of general education throughout Canada, but should further supplement provincial revenues by a specific additional grant for general educational purposes, the foregoing budget would call for a special Dominion educational grant or subsidy to the Province.

The amount of this grant should be the difference between the amount proposed for educational expenditures in the minimum model budget\$530,500.

and the amount at present expended by the Province on education (as shown by the Public Accounts of 1936, Commission's Financial Questionnaire Set-up)..... 336,708.

or, an additional increase of revenue for educational purposes alone amounting to.....\$193,792.

Finally, in order to secure a balanced budget on the scale of expenditures proposed by the foregoing estimates, the Province would still require further relief or assistance from the Dominion Government for public services other than education, amounting to..... 190,471.

Adding to these additional subsidies the amount by which the Province will be relieved through the transfer of public welfare services to the Dominion..... 222,250.

we arrive at the total by which these various changes will enable the Province of Prince Edward Island to balance its minimum model budget.....\$606,513.

We believe the Commission will find that the estimates of our specimen budget have been very reasonable indeed, and that it is beyond possibility to provide from Provincial sources the additional revenues necessary to balance such a reasonable budget.

It will be noticed that our specimen budget does not show any contribution by the Government towards a superannuation scheme for public servants (with the exception of a few isolated cases specifically dealt with by legislation.) Such an item would naturally be included in a model scheme of general government, but it is felt that if the public servants of the Province were to receive the modest increases of remuneration suggested by the specimen budget, they would be able to provide the necessary funds for a superannuation system without any further contribution from the Government.

FISHERIES

Another matter for which no provision has been made in our specimen budget is the establishment of a provincial fisheries service. Although fisheries are wholly within the jurisdiction of the Dominion, and can on the whole be best administered by the Dominion Government, there are many local conditions which do not lend themselves to management by a distant central administration. There are several respects in which it is urgent that the Provincial Government should make some provision for assistance to the fisheries:

(a) The Province has during the past two years entered into an agreement with the Dominion Government for joint contribution towards the relief and reestablishment of needy fishermen. Such a form of assistance will no doubt continue to be necessary from time to time;

(b) The Provincial Government should take some part in schemes for the training of fishermen in improved methods of preparing and marketing their products, and in general educational work, with particular reference to the conditions of the local industry;

(c) A provincial officer or officers should be appointed, whose duty it would be to maintain contacts with the fishermen, assisting them along the lines of marketing, organization, the curing and processing of products, and general educational work.

All these services would require a considerable amount of provincial expenditures; as the matter is within the Dominion jurisdiction, and the Province (as already shown) has no means of raising the necessary funds, we feel that the Province should receive a special grant of a modest amount from the Dominion Government for the carrying on of such fishery services as the above, which can best be administered by a local government having a more intimate contact with the problems of the local fishermen.

HIGHWAYS

Nor does the specimen budget contain any reference to the construction of permanent highways. This matter is treated by the Province as one of

capital expenditure, and sinking funds are intended to be provided from the tax on gasoline and motor vehicles. As previously indicated, the gasoline tax has been raised to 10 cents per gallon specifically for that purpose: even with this tax, it is evident that the Province will be unable to construct permanent highways with sufficient rapidity to meet the needs of the travelling public, particularly of tourists who travel through the Island from other portions of Canada and foreign countries. The Province was induced to embark on a program of hard-surfaced roads on the assurance of a measure of Dominion assistance which has not been forthcoming. This breach of assurance on the part of the Dominion has already led to the addition of a very large amount to the Provincial debt, and consequently to our annual appropriations for interest and sinking fund. These matters are mentioned here, in order that it may be made abundantly clear that Prince Edward Island reserves the right to claim from the Dominion Government further substantial contributions towards the construction of hard-surfaced or permanent highways.

The foregoing conclusions as to the fiscal need of the Province lead us to a consideration, in somewhat greater detail, of the proposed changes in financial relationships between the Dominion and this Province, and of other possible improvements in the general constitutional and financial set-up of the Dominion. These matters will be dealt with in the concluding section of our Brief.

SUNDRY RECOMMENDATIONS AND PROPOSALS

At the outset of this section of our brief, it may be pointed out that the Province of Prince Edward Island is strongly and unalterably attached to the principle of provincial autonomy in the proper sphere of provincial jurisdiction, and would be unwilling to consent to the forfeiture of any genuinely provincial rights. Conditions however, have arisen in the development of Canada as a nation, which have resulted in demonstrating the inadequacy of our present constitution in certain respects. There has arisen the necessity of a number of public services, apparently not contemplated at the time of Confederation, which under the present terms of the British North America Act are at least partly within provincial jurisdiction, but which the Provinces (partly from limitation of their revenues, and partly from limitation of their scope of action) cannot undertake or administer effectively. Prince Edward Island feels that the Provinces can give up to the Dominion Government the right and jurisdiction to carry out such services, without in any way impairing the fundamental principles of provincial autonomy.

On the other hand, doubts have arisen as to the technical jurisdiction of the provinces to collect certain taxes which they now impose and to carry out certain services which they now administer.

This Province does not regard as important the question whether future amendments to the Canadian constitution should be made within Canada or by the Imperial Parliament, so long as the machinery set up for deciding upon such amendments makes ample provision for the protection of provincial rights and provincial viewpoints.

The problems which we intend to discuss under this section do not lend themselves to any comprehensive classification. It will probably be most convenient to deal first with those recommendations which are necessary to the implementing of our proposed minimum budget, and afterwards to deal with other proposals and recommendations seriatim.

(A)

OLD AGE PENSIONS

As already pointed out, the payment of Old Age Pensions and pensions to blind persons is a new social service which has been established in Canada within recent years, and which imposes a new and serious burden upon provincial finances. The Prince Edward Island Old Age Pensions Act was passed in 1931, and was agreed to by the Provincial Legislature on the specific assurance that the Dominion Government would pay 100% of the amount neces-

sary to carry out the scheme. This assurance was never brought into effect, but the Dominion Government subsequently increased its proportionate contribution to 75% of the amount expended, exclusive of administration cost. The Government of Prince Edward Island was then placed in a dilemma: provincial revenues were inadequate to meet the added burden, but the taxpayers of this Province were obliged to contribute towards the Dominion contribution for pensions in the other provinces. Prince Edward Island was therefore forced in self-defence to adopt the scheme. The hardship which this situation imposed upon the finances of the Province may be inferred from the fact that we were obliged to arrange for payment of pensions on the basis of a maximum annual pension of \$180. per annum, as against \$240. in other provinces.

Apart altogether from the obligation of the Dominion in respect to old age pensions, it is evident that the pension scheme could be more efficiently administered by the Dominion, as this would not only eliminate overlapping administrative costs, but would obviate many problems in cases which affect more than one province.

We therefore recommend that the entire jurisdiction and responsibility for the payment and administration of old age pensions and pensions to blind persons be vested in and assumed by the Dominion of Canada.

(B)

MOTHERS' ALLOWANCES

Prince Edward Island has been and continues to be unable financially to inaugurate any scheme of mothers' allowances and widows' pensions. The growing necessity of a service of this kind is becoming obvious, and several of the provinces have already inaugurated the same. We therefore recommend that jurisdiction and responsibility in this matter be transferred to the Dominion.

(C)

HOSPITALIZATION AND PUBLIC HEALTH

The national aspect of these branches of the public service is becoming more apparent. Provinces are handicapped not only by their lack of revenues, but by the limited scope of their geographical jurisdiction. This is particularly true of contagious and communicable diseases.

Several proposals have been made for the transfer of at least a portion of health and hospitalization services to the Dominion. One suggestion is that the Dominion should assume 50% of the cost of such services; another suggestion is that a certain specific portion of such services should be transferred to the Dominion. From the financial point of view, these two suggestions would afford approximately the same present relief to Prince Edward Island, but the second suggestion appears to us to have greater merit on general principles. We do not approve the extension of the system of joint contributions as between the Dominion and the Provinces; such a system may be necessary in emergency

cases, but it is bad in principle, as it leads to the penalization of those Provinces which specially endeavour to curtail expenditure, while the less frugal provincial governments are led into larger expenditures with a view to securing the available Dominion contribution.

We therefore propose that the Dominion Government should take over and administer a defined portion of the public health services now operated by the provinces: the field of communicable and preventable diseases lends itself particularly to national administration, while the provinces can conveniently administer the older forms of public welfare services, such as hospitals for the insane, aged, and infirm.

(D)

UNEMPLOYMENT RELIEF

The administration of unemployment relief, either by way of direct material aid, or by way of public employment projects, has proven hopeless in the hands of municipalities or provinces, even with the assistance of grants and subventions by the Dominion Government. It is admitted on all hands that the relief of unemployment is a social service of national concern, and that only the national government is competent to deal with this problem in anything approaching an adequate manner. We therefore recommend that this responsibility shall be definitely and exclusively assumed by the Dominion.

(E)

LABOUR LEGISLATION

This heading has to do with the problems of employment insurance, health insurance, hours of labour, weekly rest, minimum wages, and other kindred topics. Prince Edward Island has been unable to make any expenditure on social services of this nature, and stands to benefit least of any province by enactments proposed along this line. In fact, the result of such legislation will probably be a financial loss for the taxpayers of Prince Edward Island. But this Province does not desire to stand in the way of any necessary social legislation of great national importance. We are therefore prepared to concur in a recommendation for the transfer to the Dominion of jurisdiction over the subjects mentioned, upon the understanding that adequate safeguards will be determined for local conditions. We should also like to mention that the probable relative increase of burden resulting to the Island from social services of this kind should be borne in mind in any readjustment of our financial arrangements with the Dominion.

(F)

TRANSPORTATION AND FREIGHT RATES

These subjects are of primary importance to Prince Edward Island, on account of our isolated geographical position. The governments of the three Maritime Provinces co-operate with the Maritime Board of Trade in the main-

tenance of a standing Maritime Transportation Commission. The experts of this Commission have undertaken the task of preparing a brief dealing with this problem. It is therefore not our intention here to elaborate our claims and complaints against the Dominion Government in respect to matters of transportation and freight rates. These will be duly submitted to your Commission by the Maritime Board of Trade and its Transportation Commission.

(G)

SUCCESSION DUTIES AND INCOME TAX

It may appear that Prince Edward Island is asking for concessions from the Dominion, without offering any concessions of revenue to the Dominion. The reason for this is obvious: our fiscal need is such that a balanced budget on minimum reasonable expenditures can only be achieved by (a) a transfer of certain responsibilities to the Dominion; (b) a special educational grant to the Province; (c) a further additional subsidy for provincial public services other than education. It is therefore clear that if this Province concedes to the Dominion any of our present revenues, the general additional subsidy from the Dominion will have to be increased *pro tanto*.

We agree that there is some merit in the contention that succession duties and income tax can be better and more equitably administered by a single federal jurisdiction, rather than by divided provincial jurisdictions. At first sight, this Province would appear to benefit by such a change. But an analysis of the actual figures will indicate the necessity for the caution with which Prince Edward Island approaches this question.

For us, succession duty, income tax, personal property tax, and special corporation taxes (in lieu of income tax) are closely connected and interwoven, and at present yield to the Province the following revenues, based on the Public Accounts for 1936:

Succession duty	\$ 43,000.
Income and personal property tax.....	56,000.
Corporation tax.....	121,769.
Total.....	<u>\$220,769.</u>

These forms of taxation are closely connected, and none can be surrendered without the loss of practically all. Further, the amount of revenue derived by the Province from these sources is in large part due to the high rates of taxation and the low scales of exemption; it is therefore clear that if such taxes were transferred to the Dominion and administered on, say, the average scale of rates and exemptions, the Dominion would gain far less by such a transfer than this Province would lose.

The suggested compensating transfers of public welfare expenditures to the Dominion would not balance the loss which this Province would sustain by giving up succession duty and income tax.

Let us suppose, for instance, that the Dominion Government were to take over the services which we have suggested. The resulting fiscal relief to this Province would be as follows (based on the Public Accounts for 1936):

Old Age Pensions.....	\$ 54,000.
Administration of Pensions.....	7,000.
Direct Relief.....	22,000.
Provincial Sanatorium.....	27,000.
Aid to Hospitals.....	9,000.
Public Health Services.....	31,000.
Total.....	<u>\$150,000.</u>

Or, if the alternative suggestion were adopted, the Province would be relieved fiscally as follows (according to the Public Accounts of 1936):

Old Age Pensions.....	\$ 54,000.
Administration of Pensions.....	7,000.
Direct Relief.....	22,000.
50% of other Public Welfare Services.....	84,500.
Total.....	<u>\$167,500.</u>

It will therefore be clearly seen that on either of the two alternative proposals, Prince Edward Island would lose heavily by giving up succession duty and income taxes, even if the Province were relieved of the suggested public welfare services. The reason why such a change might benefit other Provinces, but injure Prince Edward Island, is simply the frugality with which this Province has been forced to manage its expenditures in comparison with those of other Provinces. The suggested change, by itself, would therefore merely result in an added deficit for Prince Edward Island.

While recognizing some merit in the proposal for a transfer of income taxes and succession duty to the exclusive jurisdiction of the Dominion, Prince Edward Island cannot recommend or consent to such a transfer unless we are assured of a compensating source of revenue, besides the additional revenues already outlined as being dictated by our fiscal need.

(H)

LIQUOR REVENUES

As a matter of fact, in view of the extremely restricted sources of revenue enjoyed by Prince Edward Island, it is impossible that the Province should give up any present source of revenue without securing a fully compensating fiscal advantage from the Dominion. A suggestion has been made in some quarters that the revenue derived by the provinces from the sale of alcoholic liquors should be received and administered by the Dominion Government. For reasons which will be set forth under a later heading, we believe that there

is considerable merit in this suggestion. But, again in this case, this Province must repeat and emphasize the caution that we cannot give up this, or any other present source of revenue to the Dominion, without a compensating fiscal advantage.

(I)

VALIDITY OF CERTAIN PROVINCIAL TAXES

The various provinces of Canada have for many years been collecting taxes under forms which have at least bordered upon invalidity by reason of indirectness or otherwise. Some of these forms of taxation have become very important factors in the existing revenues of the provinces concerned. Among instances may be cited gasoline tax, sales tax, amusement tax, and succession duty, as well as certain corporation taxes. Without questioning the validity of any present provincial tax, it may be asserted that the finely drawn distinctions between direct and indirect taxation have been a source of great worry and inconvenience to provincial legislators for many years.

We therefore recommend that an amendment should be passed to the British North America Act to clarify the jurisdiction of provincial legislatures in respect to the substantial sources of revenue which they now collect and to enable them to the extent of such taxes at least, to enter into the field of indirect taxation.

(J)

OVERLAPPING RESPONSIBILITIES AND SERVICES

The development of Dominion and Provincial departmental administration has necessarily resulted in a certain amount of overlapping services. In many cases this has caused a loss of efficiency, and in other cases an increase of overhead expenses. A study of the details of such overlapping services will no doubt indicate that their complete elimination is impracticable. But there are certain respects in which undoubtedly greater efficiency and economy would result from a unification of services now jointly administered by Dominion and Provincial departments:

(1) Agriculture and Forestry

It seems inevitable that both the Dominion and the Provinces shall continue to administer separate departmental services in connection with Canada's basic industry of agriculture, and consequently to operate concurrently in the same field. The industry is far too extensive and national in its scope to be adequately directed by the divided jurisdiction of nine provinces with divergent interests and outlooks; on the other hand, the industry of agriculture in each particular province has local interests and local problems which do not lend themselves to solution by a centralized and distant authority. Assuming, therefore, that neither the Dominion nor the provinces can retire from this field of administration, we must content ourselves with recommending the fullest possible co-operation between the Dominion Department of Agriculture and the Departments of the various Provincial Governments, in order that the greatest possible efficiency and the least possible waste of money and effort

may result. It is not proposed to embody any detailed suggestions in this brief, but our Provincial Department will endeavour to assist the Commission as far as possible by oral evidence on this point. The same remarks apply to forestry.

(2) Public Welfare Services

The transfer to exclusive Dominion jurisdiction of Old Age Pensions, Unemployment Relief and other employment services, hospitalization and public health services, will serve to eliminate the greater part of the overlapping which has hitherto obtained in this branch of the public administration.

(3) Fisheries

The control and administration of fisheries is entirely within Dominion jurisdiction. It is felt, however, by this Province that our local fisheries, as our agriculture, present problems which cannot be completely solved by distant centralized administration. The methods by which a limited provincial jurisdiction would be of benefit have already been set forth in this submission. We therefore recommend that the Dominion Government should inaugurate a system of modest grants to the provinces for the purpose of setting up a limited provincial administration along the lines which we have suggested.

(4) Labour Legislation

As already indicated, this Province is willing to concede to the Dominion jurisdiction in the matter of industrial disputes, wages, hours of labour, and working conditions, on the understanding that adequate safeguards are guaranteed to protect prevailing local and provincial conditions.

(5) Company Law

While there is a certain amount of overlapping in the administration of company law, we do not feel that any added or unnecessary expense is involved. On the other hand, it appears that there is a proper field for separate administration of companies by Dominion and provincial authorities. Companies with Dominion scope and Dominion-wide business relations will normally find a more suitable machinery in Dominion charters and regulations; while companies with purely local or provincial objects may more conveniently be incorporated and regulated by provincial authority. The existing division of jurisdiction and administration in connection with company law seems to be working satisfactorily and without any undue friction or overlapping. Voluntary conferences of representatives of the Dominion and Provinces have recently been held with a view to securing uniformity on questions of company law, particularly with relation to the sale of securities. It is anticipated that these conferences will result in an improved efficiency of company administration.

The same remarks apply to companies carrying on the business of insurance. In this respect, a considerable degree of uniformity has already been achieved by provincial legislatures with satisfactory results. It is possible that certain features relating to the control of the organization and assets of Domin-

ion-wide insurance companies should be transferred to Dominion jurisdiction, but the nature and effects of the insurance contract are obviously matters of exclusive provincial control, and the whole question is probably not so much a constitutional matter as one for co-operation between the Dominion and the provinces.

(6) Administration of Justice

This is a department in which the general principle of legislation by the Dominion and administration by the provinces seems to work well. Difficulties, conflicts, and overlapping of administration arise principally from the development of a large field of quasi-criminal legislation, partly Provincial and partly Dominion. The general procedure for the enforcement of such quasi-criminal statutes has been along the lines of the Criminal Code of Canada, and particularly of Part XV thereof. But the directing authority in prosecutions of this nature has become greatly varied. The most commonly known quasi-criminal offences are infractions of the following laws: The Customs Act of Canada, The Excise Act of Canada, The Highway Traffic Acts of the Provinces, The Intoxicating Liquor Acts of the Provinces. In fact, the number of prosecutions arising out of offences against one or other of the statutes just enumerated forms a very imposing proportion of the total Crown prosecutions, and is probably double the number of prosecutions under the Criminal Code. Unfortunately the Criminal Code and these several branches of quasi-criminal legislation, while setting up a more or less uniform method of procedure, establish several distinct prosecuting authorities. Under the Criminal Code, and presumably under most Highway Traffic Acts, the prosecuting authority is vested in the Provincial Attorney-General; under the Customs Act, the prosecuting authority is vested in the Minister of National Revenue, acting through the Commissioner of Customs; under the Excise Act, the prosecuting authority is vested in the Minister of National Revenue, acting through the Commissioner of Excise; under Provincial Liquor Laws, the prosecuting authority is vested in various officials or bodies designated by the provincial legislation in question. The result is very often difficulty and confusion, not only in the minds of accused parties and of the public, but also of the police and Crown officials. The most obvious overlapping occurs in intoxicating liquor cases, in which a particular set of circumstances may constitute an offence against either the provincial liquor laws, or the Dominion revenue laws, or both. The disposal of cases of this kind presents a great many difficulties and anomalies, in view of the fact that two independent sets of prosecuting machinery are set in motion from different sources. Double prosecutions often result from trivial cases, and in all instances where Dominion and Provincial prosecutions are entered on the same set of facts, conflict and uncertainty result. The Provincial Departments of Justice are greatly hampered and embarrassed in their administration by prosecutions in the same field directed at long range from Dominion Departments at Ottawa. The extent of conflict in such cases in this Province may be indicated from the following table:

Number of prosecutions under Prohibition Act in 1936.....	326.
Number of prosecutions under Customs and Excise Acts in 1936.....	119.
Number of prosecutions under Prohibition Act in 1937.....	539.
Customs and Excise figures for 1937 are not yet available.	

Practically each of such prosecutions raises a potential conflict or overlapping. It is difficult to imagine the degree of confusion which arises and prevails in the minds of the public on this point. A similar confusion, to a lesser degree, prevails by reason of variation in the prosecuting authority under other statutes.

Another anomaly arises from the fact that in cases under the Customs Act and the Excise Act, the Dominion Department can elect to proceed by indictment rather than in a summary manner: if the accused is sent up for trial the burden and expense of prosecution then shifts to the Provincial Department and consequently cases are prosecuted in Superior Courts which a provincial prosecuting authority with a knowledge of local conditions would more effectively dispose of in a summary manner. The result is often a great deal of useless expense to the Province.

On the other hand, it would appear that in view of the growing body of quasi-criminal legislation of more or less nation-wide application, the procedure followed in the enactment and enforcement of the Criminal Code might be made uniform with very satisfactory results. In each branch of such legislation, the Dominion Parliament would become the enacting body, while the enforcement would be uniformly concentrated in the Department of the Provincial Attorney-General. There seems to be no good reason why a prosecution for theft should be directed by a provincial authority, while a prosecution for smuggling should be directed by a Dominion Department. With regard to highway traffic and liquor legislation, a similar uniformity of structure is desirable and could be readily obtained; the portions of provincial enactments which are substantially applicable throughout Canada could be embodied in Dominion legislation, which, however, would leave the door open for provincial and municipal regulations. Thus, in the case of highway traffic, the general laws of speed, rights-of-way, equipment of vehicles, public safety and kindred subjects could form the basic structure of a Dominion Act, allowing to the provinces or municipalities the right of making regulations or bye-laws not inconsistent with the main legislation. The registration of motor vehicles and licensing of operators would be administered by Provincial Departments, except insofar as they might be controlled by the Dominion in the interests of public safety. Similarly, in connection with intoxicating liquor, the general legislation and the administration (apart from enforcement) would be vested in the Dominion but the provinces should retain the right to give effect to local option, either directly, or through Dominion legislation passed on provincial request. To illustrate the simple manner in which this could be carried out, the Dominion Act could prohibit entirely the sale and possession of liquor, except upon certain permits or certificates; the provinces would have the right to decide whether individuals could obtain such certificates for beverage purposes or for medicinal use only.

Under such a proposed system, the Dominion would be the only Government which would be financially interested in the profits of the liquor business, and the Provinces would therefore be free to determine questions of this kind independently of any vested interests which would otherwise influence their decision. The advantages of such a system are obvious.

In conclusion, we recommend the following unification of criminal and quasi-criminal law:

(a) All such legislation to be passed by the Dominion Parliament, subject to regulations or local option of the provinces, the latter preferably to be embodied in the Dominion legislation at provincial request;

(b) The administration of liquor laws (apart from enforcement) to be transferred to the exclusive control of the Dominion;

(c) The enforcement of all laws to be uniformly under the direction of the provincial Attorneys-General;

(d) All fines and penalties (with the possible exception of forfeitures) to belong to the provinces;

(e) Remissions, in general, to be granted as at present on the advise of the Minister of Justice; but some provision should be made for the granting of Tickets-of-Leave by provincial authorities in the case of minor penalties. In no case should Ticket-of-Leave be granted by Dominion or Provincial authorities without the consent of the provincial Attorney-General, whose department is naturally most familiar with the circumstances and conditions surrounding the offence which he has prosecuted;

(f) In this Province there is an urgent need of an improved system of penal imprisonment. The gap between the Dominion penitentiaries and the county gaols needs to be bridged. The solution would appear to lie in the direction of a central gaol farm or industrial institution, coupled with the establishment of a reformatory for juvenile offenders. Unfortunately, the fiscal state of our provincial finances does not permit us to embark on an expenditure such as would be involved in the establishment and maintenance of such institutions. We hesitate to make any detailed recommendations on this point until the publication of their report of the Dominion Commission on Penal Reform.

The foregoing remarks are not intended to be an exhaustive survey of the difficulties surrounding law enforcement but are merely intended to suggest very sketchily certain improvements which, it is conceived, might be made in the general administration of public justice.

(K)

CANCELLATION OF LAND PURCHASE LOAN

At an earlier point in our submission, we have discussed the payment of nearly \$800,000, made by the Dominion to the Province at the time of Confederation in order to enable the Province to purchase the balance of lands from the absentee proprietors and resell the same to the tenants. We have established that the result of this transaction was merely to raise the Island to the level of a landless province. The purchase of the lands was necessarily a cash transaction, whereas the resale was necessarily deferred over a period of years, and the Province was not able to realize, during the twenty-five year period after Confederation, more than the interest on the Dominion advance.

Since that period, the income from this source has practically ceased and no further revenue can be expected; but on the other hand the Province continues to pay the Dominion interest on the money advanced, as a result of which our annual subsidy in lieu of public lands is reduced from \$45,000 to \$5,879.90. At the time of Confederation, it was clearly recognized that the Province needed a special subsidy of \$45,000 because it had no public lands, and it is obvious that we still need this amount *a fortiori*.

We therefore recommend and urge that the above-mentioned loan, amounting actually to \$782,402.33, made by the Dominion to this Province be forthwith cancelled.

(L)

CONCLUSION

It is not proposed in this section to summarize the substantial recommendations which have been specifically made in the earlier portions of this brief, as this would lead to a considerable amount of valueless repetition.

In conclusion, this Province expresses the hope that its submissions may be of some assistance to the Royal Commission in its study of Dominion-Provincial relations. Yet, however thorough the Commission's investigation may be, and however beneficial the re-organizations resulting therefrom, it is too much to hope that the work of any Commission will afford a panacea for all present and future constitutional and fiscal difficulties of the Dominion and the provinces.

It is therefore recommended and urged that some provision should be made for annual or periodic conferences to be held between representatives of the Dominion and representatives of the provinces.

Such conferences have been very frequently held in the past, but they have been summoned at irregular intervals, and have had very little continuity of purpose or achievement. The necessarily short notice which usually precedes such irregular conferences precludes the possibility of systematic preparation of the agenda. On the other hand, if (say) the first week of November in each year were fixed as the annual meeting time of such conferences, both Dominion and Provinces would be able to prepare necessary materials systematically and thoroughly. The regularity which would attend such a system would help to put an end to the unfairness which has resulted from the importuning of the Dominion Government by single provinces in irregular succession. A much fairer and more equitable treatment of provincial claims, and of problems affecting the Dominion and the provinces, could thus be secured.

All of which is respectfully submitted

THANE A. CAMPBELL,
Premier and Attorney-General.

APPENDICES AND TABLES

STATEMENT NO. 1

PROVINCE OF PRINCE EDWARD ISLAND
COMPARATIVE STATEMENT OF FUNDED AND UNFUNDED DEBT
As at fiscal year ending December 31st

	1913	1921	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
Gross Funded Debt	\$ 818,000	\$ 858,000	\$1,873,000	\$1,933,000	\$2,105,000	\$2,109,000	\$2,329,000	\$2,104,000	\$3,504,000	\$3,754,000	\$4,554,000	\$5,754,000	\$6,029,000
Less Sinking Fund Investments	126,691	242,845	438,519	485,706	511,986	523,494	568,225	498,351	614,643	758,707	932,629	1,114,033	1,315,842
Net Funded Debt	691,310	625,155	1,434,481	1,447,294	1,653,014	1,585,506	1,760,775	1,605,649	2,889,357	2,995,293	3,621,371	4,639,967	4,713,168
Unfunded Debt	270,926	652,684	595,944	742,260	729,186	973,234	1,032,547	1,736,593	712,981	916,334	648,083	581,779	724,101
Total Debt	\$ 962,236	\$ 1,277,839	\$ 2,030,425	\$ 2,189,554	\$ 2,382,200	\$ 2,558,740	\$ 2,793,322	\$ 3,342,242	\$ 3,632,338	\$ 3,911,627	\$ 4,269,454	\$ 5,221,746	\$ 5,437,269

PER CAPITA

Population	91,000	89,000	87,000	87,000	88,000	88,000	88,000	88,000	89,000	89,000	89,000	89,000	92,000
(Canada Year Book 1937, p. 153)													
Gross Funded Debt	8.70	9.65	21.53	22.22	24.83	23.97	26.47	23.90	39.37	42.18	51.17	64.65	65.53
Net Funded Debt	7.35	7.02	16.49	16.64	18.78	18.02	20.00	18.25	32.46	33.65	40.69	52.13	51.23
Total Debt	10.24	14.36	23.34	25.17	27.07	29.08	31.74	37.98	40.61	43.95	47.97	58.67	59.10

STATEMENT NO. 2

PROVINCE OF PRINCE EDWARD ISLAND
STATEMENT OF THE FUNDED AND NET FUNDED DEBT

As as December 31, 1936

Date of Issue	Rate of Int.	Maturity Date	Gross Funded Debt	Sinking Fund Accumulated to Dec. 31, 1936	Net Funded Debt	Where Payable	Authorizing Act	Purpose of Issue
May 15, 1932	5½%	June 30, 1937	\$ 250,000.00	\$ 63,995.89	\$ 186,004.11	D	22 Geo. V. Cap. 9	(See footnote below)
Sept. 1, 1922	5½%	Sept. 1, 1937	175,000.00	74,063.81	100,936.19	D	10-11 Geo. V. Cap. 2	Highways Improvement
Oct. 1, 1908	4%	Oct. 1, 1938	39,000.00	36,557.90	2,442.10	B	8 Edward VII. Cap. 7	Public Works
Nov. 15, 1928	4½%	Nov. 15, 1938	100,000.00	89,426.16	10,573.84	D	18 Geo. V. Cap. 3	Highways Improvement
Apr. 1, 1909	4%	Apr. 1, 1939	472,000.00	326,208.17	145,791.83	C	5 Edward VII. Cap. 3	Debt Funding
May 1, 1933	4½%	May 1, 1943	250,000.00	32,186.01	217,813.99	D	22 Geo. V. Cap. 9	(See footnote below)
Nov. 1, 1923	5%	Nov. 1, 1943	150,000.00	41,716.29	108,283.71	D	10-11 Geo. V. Cap. 2	Highways Improvement
May 1, 1934	4%	May 1, 1944	300,000.00	21,850.38	278,149.62	D	24 Geo. V. Cap. 8	Fund Certain Expenditures
Oct. 1, 1924	4½%	Oct. 1, 1944	350,000.00	87,863.80	262,136.20	D	10-11 Geo. V. Cap. 8	Debt Funding
Oct. 1, 1924	4½%	Oct. 1, 1944	150,000.00	38,467.99	111,532.01	D	14 Geo. V. Cap. 2	Highways Improvement
Oct. 1, 1935	3%	Oct. 1, 1945	200,000.00	2,522.15	197,477.85	D	25 Geo. V. Cap. 16	Certain Public Works
Oct. 1, 1935	3%	Oct. 1, 1945	1,025,000.00	12,860.75	1,012,139.25	D	26 Geo. V. Cap. 1	(See footnote below)
Oct. 1, 1925	4½%	Oct. 1, 1945	150,000.00	35,060.48	114,939.52	D	14 Geo. V. Cap. 2	Highways Improvement
Feb. 15, 1936	3%	Feb. 15, 1946	500,000.00	33,732.32	466,267.68	D	26 Geo. V. Cap. 1	(See footnote below)
Nov. 1, 1926	4½%	Nov. 1, 1946	40,000.00	8,428.55	31,571.45	D	16 Geo. V. Cap. 4	Highways Improvement
Dec. 15, 1936	3%	Dec. 15, 1946	250,000.00	258,153.76	250,000.00	D	26 Geo. V. Cap. 1	(See footnote below)
May 1, 1932	6%	May 1, 1947	1,000,000.00	741,841.24	258,158.76	D	22 Geo. V. Cap. 9	(See footnote below)
Nov. 1, 1927	4½%	Nov. 1, 1947	60,000.00	11,444.91	48,555.09	D	16 Geo. V. Cap. 4	Highways Improvement
Nov. 15, 1928	4½%	Nov. 15, 1948	20,000.00	6,086.84	13,913.16	D	18 Geo. V. Cap. 4	Newport Ferry
Nov. 15, 1928	4½%	Nov. 15, 1948	150,000.00	45,726.75	104,273.25	D	18 Geo. V. Cap. 2	Highways Improvement
May 1, 1930	5%	May 1, 1950	48,000.00	12,109.86	35,890.14	D	19 Geo. V. Cap. 5	Specific Purposes
May 15, 1930	5%	May 15, 1950	200,000.00	50,442.99	149,557.01	D	20 Geo. V. Cap. 4	Highways Improvement
Feb. 1, 1932	5½%	Feb. 1, 1952	150,000.00	26,921.26	123,078.74	D	18 Geo. V. Cap. 2	Highways Improvement
			\$6,029,000.00	\$1,315,832.02	\$4,713,167.98			

N. B. 22 Geo. V. Cap. 9—Bank Overdraft and Rebuilding Public Buildings.

26 Geo. V. Cap. 1—Bank Overdraft and Payment for Permanent Public Works and Refund Present Debentures.

B—Principal at Bank of Montreal, Charlottetown: Interest Bank of Montreal, Montreal or Charlottetown.

C—Principal and Interest, London, England; Toronto; Montreal or Charlottetown.

D—Principal and Interest Bank of Montreal, Toronto; Montreal or Charlottetown.

E—Principal and Interest Bank of Montreal, Ottawa and Charlottetown.

STATEMENT NO. 3

PROVINCE OF PRINCE EDWARD ISLAND
STATEMENT OF SINKING FUND INVESTMENTS
PROVINCIAL TREASURY
As at December 31, 1936

Par Value	Coupon Rate	Province	Maturity
\$ 58,000.	5½%	Province of Ontario.....	1937
6,000.	4½%	Dominion of Canada.....	1944
100,000.	5%	Province of Nova Scotia.....	1944
17,500.	5%	City of Charlottetown.....	1946
35,000.	6%	Province of British Columbia.....	1947
35,000.	6%	Province of Manitoba.....	1947
140,000.	4%	Province of New Brunswick.....	1948
50,000.	3½%	Dominion of Canada.....	1949
30,000.	4½%	Province of Saskatchewan.....	1951
194,000.	3%	Province of New Brunswick.....	1951
50,000.	4%	Dominion of Canada.....	1952
44,000.	4½%	Province of Saskatchewan.....	1955
25,000.	4½%	Province of Alberta.....	1956
227,000.	3¼%	Province of Nova Scotia.....	1956
50,000.	4½%	Province of Saskatchewan.....	1957
51,000.	5%	Province of British Columbia.....	1959
100,000.	4½%	Dominion of Canada.....	1959
20,000.	4½%	City of Charlottetown.....	1960
73,000.	4½%	Province of Alberta.....	1961
10,332.		Savings Account—Bank of Montreal.....	
<u>\$ 1,315,832.</u>			

SUMMARY OF SINKING FUND INVESTMENTS

Dominion of Canada	\$ 206,000.
City of Charlottetown.....	37,500.
Province of Nova Scotia.....	327,000.
Province of New Brunswick.....	334,000.
Province of Ontario.....	58,000.
Province of Manitoba.....	35,000.
Province of Saskatchewan.....	124,000.
Province of Alberta.....	98,000.
Province of British Columbia.....	86,000.
Bank of Montreal—Savings Account.....	10,332.
	<u>\$ 1,315,832.</u>

AVERAGE COUPON INTEREST.....4.13%.

STATEMENT NO. 4

PROVINCE OF PRINCE EDWARD ISLAND

CURRENT REVENUE

for the fiscal year ending December 31, 1936

(Patterned after the Commission's Questionnaire)

Item No.	Source	Total revenue
1 DOMINION GOVERNMENT SUBSIDIES		
(A)	Government and Legislation.....\$	250,000.
(B)	Debt Allowance, etc.....	34,920.
(C)	Population.....	87,262.
(D)	Interim.....	275,000.
		\$ 647,182.
2 TAXES		
(A)	Real Property.....	97,530.
(B)	Personal Property.....	21,310.
(C)	Corporation taxes	
(1)	Banks.....\$	16,708.
(2)	Chain stores.....	
(3)	Electric Power companies.....	3,426.
(4)	Acceptance corporations.....	1,525.
(5)	Oil companies.....	850.
(6)	Life Insurance companies.....	6,991.
(7)	Steamship companies.....	450.
(8)	Telegraph companies.....	800.
(9)	Telephone companies.....	2,668.
(10)	Trust and Loan companies.....	3,735.
(11)	Fire Insurance companies.....	13,354.
(12)	Accident and Guarantee companies.....	1,054.
(13)	Domiciled companies.....	70,208.
		121,769.
(D)	Canadian National Railway—property tax.....	40,000.
(E)	Amusement Tax.....	11,639.
(F)	Gasoline Tax, less rebates.....	200,004.
(G)	Succession Duties.....	42,811.
(H)	Income Tax.....	34,731.
(I)	Road Tax.....	50,050.
(J)	Various Taxes, not broken down.....	3,942.
		623,786.
3 LICENSES, PERMITS AND FEES		
(A)	Motor Vehicle licenses.....	112,126.
(B)	Pedlers licenses.....	335.
(C)	Court and Legal fees	
(1)	Prothonotary.....	2,184.
(2)	County Court.....	962.
		3,146.
(D)	Land Titles and Registry Offices fees.....	7,887.
(E)	Letters Patent fees.....	1,075.
(F)	Education fees	
(1)	Examination.....	1,178.
(2)	Sessional.....	6,734.
		7,912.
(G)	Broker.....	1,290.
(H)	Insurance Agents.....	354.
(I)	Marriage Act.....	1,287.
(J)	Vital Statistics.....	678.
(K)	Commissions, etc.....	58.
(L)	Private Bills.....	170.
(M)	Ferry fees.....	3,498.
(N)	Probate fees.....	143.
		139,959.

STATEMENT NO. 4 — Cont.

<u>Item No.</u>	<u>Source</u>		
4	LICENSED LIQUOR VENDORS.....		40,000.
5	FINES AND PENALTIES.....		2,281.
6	SALE OF SUNDRY ARTICLES AND COMMODITIES ...		5,602.
7	OTHER REVENUES AND REFUNDS OF EXPENDITURE		
	(A) Public Health.....	13,650.	
	(B) Old Age Pensions from other Provinces.....	747.	
	(C) Department of Agriculture.....	1,282.	
	(D) Casual Revenue.....	1,646.	17,325.
			<hr/>
	TOTAL ORDINARY REVENUE		\$ 1,476,135.
			<hr/>

PROVINCE OF PRINCE EDWARD ISLAND
CURRENT EXPENDITURES

For the fiscal year ending December 31, 1936

(Patterned after the Commission's Questionnaire)

<u>Item No.</u>	<u>Classification</u>		<u>Total expenditure</u>
1	DEBT CHARGES		
	Interest on Debentures, Loans and Bank Overdraft.....	\$ 268,367.	
	Sinking Fund Provision.....	146,189.	414,556.
2	PUBLIC WELFARE		
(A)	Public Health		
	(1) Administration, including nurses' salaries.....	\$ 11,788.	
	(2) Drugs and Hospital supplies.....	1,863.	
	(3) Venereal Disease treatment.....	1,244.	
	(4) Laboratory expenses.....	223.	
	(5) Travelling expenses.....	5,266.	
	(6) Food Inspection.....	2,500.	
	(7) Grant to Junior Red Cross Society.....	1,750.	
	(8) Grant to Free Dispensary.....	300.	
	(9) Dental Clinics.....	443.	25,377.
(B)	Falconwood Hospital and Provincial Infirmary.....	114,794.	
	Less fees and sale of farm produce.....	12,152.	102,642.
(C)	Grants to Hospitals.....		9,000.
(D)	Child Welfare		
	(1) Administration.....	300.	
	(2) Children's Aid Societies.....	1,500.	
	(3) Juvenile Delinquents.....	4,722.	6,522.
(E)	Old Age Pensions		
	(1) Administration.....	7,139.	
	(2) Pensions.....	213,655.	
		220,794.	
	Less Dominion Subvention.....	159,532.	61,262.
(F)	Unemployment Relief		
	(1) Administration.....	2,617.	
	(2) Direct Relief payments (net).....	19,025.	21,642.
(G)	Vital Statistics.....		355.
(H)	Charitable Institutions		
	(1) Provincial Sanatorium.....	18,000.	
	(2) Orphanages.....	3,200.	
	(3) Evangeline Home.....	100.	21,300.
(I)	Other Charitable Grants		
	(1) School for the Deaf (Halifax).....	2,072.	
	(2) School for the Blind (Halifax).....	280.	
	(3) Canadian National Institute for Blind.....	1,000.	
	(4) Social Service Council.....	15.	3,367.
			251,467.

STATEMENT NO. 5 — Cont.

Item No.	Classification	Total expenditure	
3 EDUCATION			
(A)	Prince of Wales College and Normal School		
(1)	Current expenses, including salaries.....\$	31,973.	
(2)	Maintenance of Building.....	10,775.	42,748.
(B)	Inspection of Schools.....		9,696.
(C)	Examinations.....		1,311.
(D)	Libraries.....		6,153.
(E)	Teachers' Pensions and Superannuation.....		9,947.
(F)	Teachers' Salaries and Supplements.....		265,723.
(G)	Scholarships.....		860.
(H)	Adult Education		270.
			336,708.
4 ADMINISTRATION OF JUSTICE			
(A)	Courts and Court Officials		
(1)	Salaries.....	6,596.	
(2)	Contingencies and other expenses.....	5,697.	
(3)	Maintenance of buildings.....	4,917.	17,210.
(B)	Policing		
(1)	Magistrates' salaries.....	2,886.	
(2)	Assistant Crown Prosecutors' salaries.....	1,350.	
(3)	Crown Prosecution expenses.....	2,466.	
(4)	R. C. M. Police.....	17,500.	24,202.
(C)	Gaols		
(1)	Administration	2,670.	
(2)	Maintenance of buildings.....	11,984.	14,654.
(D)	Coroners' Inquests		1,332.
			57,398.
5 LEGISLATION			
(A)	Government House repairs.....		188.
(B)	Elections, etc.....		355.
(C)	Legislative Assembly		
(1)	Members' Indemnity.....	11,900.	
(2)	Salaries of officials.....	1,640.	
(3)	General expenses.....	2,135.	15,675.
(D)	Legislative Library		2,774.
			18,992.
6 AGRICULTURE			
(A)	Livestock and Poultry.....		7,231.
(B)	Grants to Farmers' Institutes.....		821.
(C)	Dairying—expenses.....		356.
(D)	Horticulture.....		835.
(E)	Exhibitions and Livestock judging.....		9,350.
(F)	School Fairs, etc.....		2,937.
(G)	Women's Institutes.....		5,260.
(H)	Skunk and Owl bounty.....		2,179.
(I)	Grant to Maritime Transportation Comm.....		1,000.
			29,969.
7 TOURIST PUBLICITY.....			
			4,698.
8 HIGHWAYS, BRIDGES AND FERRIES			
(A)	Administration and supervision		
(1)	Engineers' salaries	4,800.	
(2)	Highway Foremen.....	5,469.	
(3)	Other expenses.....	6,467.	16,736.
(B)	Maintenance of highways.....		187,326.
(C)	Maintenance of bridges.....		21,202.
(D)	Maintenance of ferries.....		32,028.
(E)	Maintenance of wharves.....		1,319.
(F)	Bushing ice.....		1,383.
			259,994.
9 OTHER CURRENT EXPENDITURES—Insurance, Etc.			
			8,889.

<u>Item No.</u>	<u>Classification</u>	<u>Total expenditure</u>	
10 GENERAL GOVERNMENT			
(A)	Ministers of the Crown		
(1)	Salaries		
(a)	Ministers.....	\$ 10,212.	
(b)	Secretaries.....	675.	10,887.
(2)	Expenses		
(a)	Ministers' travelling.....	1,814.	
(b)	Other.....	351.	2,165.
(B)	General Departmental Offices		
(1)	Salaries		
(a)	Justice.....	250.	
(b)	Agriculture.....	7,108.	
(c)	Education.....	5,670.	
(d)	Executive Council.....	550.	
(e)	Health.....	4,835.	
(f)	Treasury.....	13,115.	
(g)	Audit.....	3,270.	
(h)	Province Building.....	1,325.	
(i)	Public Works and Highways.....	5,368.	41,491.
(2)	Expenses		
(a)	Justice.....		
(b)	Agriculture.....	7,102.	
(c)	Education.....	2,183.	
(d)	Health.....	1,831.	
(e)	Treasury.....	6,177.	
(f)	Collection of taxes.....	12,652.	
(g)	Audit.....	813.	
(h)	Public Works and Highways.....	3,209.	
(i)	Fishermen's Loan Board.....	1,652.	
(j)	Postage.....	4,399.	
(k)	Telephones and Telegrams.....	3,672.	
(l)	Sundry expenses.....	460.	44,150.
(3)	Maintenance of Buildings.....		4,194.
(C)	Registry Offices		
(1)	Salaries.....	7,450.	
(2)	Expenses.....	424.	7,874.
(D)	Pensions to Public Servants.....		1,500.
(E)	Miscellaneous Grants		
(1)	Queen Square Gardens.....	600.	
(2)	Fire Departments.....	900.	
(3)	Fire Marshall.....	500.	
(4)	Electrical Inspector.....	800.	
(5)	Rifle Association.....	100.	
(6)	Maritime Province Club.....	100.	3,000.
(F)	Miscellaneous—General.....	2,857.	118,118.
TOTAL ORDINARY EXPENDITURE.....			\$ 1,500,789.

STATEMENT NO. 6

PROVINCE OF PRINCE EDWARD ISLAND
ANALYSIS OF BONDED DEBT BY COUPON RATE AND MATURITY

As at December 31, 1937

(Thousands of Dollars)

Year of Maturity	3%	3½%	4%	4½%	5%	5½%	6%	TOTAL BONDED DEBT
1938	.....	.....	39	100	.....	.....	.....	139
1939	.....	.....	472	.....	.....	.....	.....	472
1943	.....	.....	.....	250	150	.....	.....	400
1944	.....	.....	300	500	.....	.....	.....	800
1945	1,225	.....	.....	150	.....	.....	.....	1,375
1946	750	.....	.....	40	.....	.....	.....	790
1947	.....	500	.....	60	.....	.....	1,000	1,560
1948	.....	.....	.....	170	.....	.....	.....	170
1950	.....	.....	.....	.....	248	.....	.....	248
1952	.....	.....	.....	.....	.....	150	.....	150
	1,975	500	811	1,270	398	150	1,000	6,104

Total Bonded Debt as at December 31, 1937.....\$ 6,104,000.

Annual Interest charges..... 254,490.

Average Coupon Rate..... 4.16%

PROVINCE OF PRINCE EDWARD ISLAND
CONDENSED STATEMENT OF CURRENT REVENUES CLASSIFIED BY SOURCES
As at fiscal year ending December 31st

Item	Source	1913	1921	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
1 DOMINION OF CANADA—SUBSIDY		\$ 372,182	\$ 372,182	\$ 372,182	\$ 397,182	\$ 397,182	\$ 497,182	\$ 397,182	\$ 397,182	\$ 497,182	\$ 497,182	\$ 497,182	\$ 647,182	\$ 647,182
2 TAXES														
Land, Income, Personal Property, Bond, etc		81,958 a	255,397 b	170,277	132,495	195,412	194,492	176,552	141,101	162,530	164,611	170,374	150,080	207,563
Railway				80,000	10,000	30,100	10,000	10,000	10,000	10,000	10,000	40,000	40,000	10,000
Corporation		11,181	42,814	51,775	16,136	39,180	11,511	4,132	60,600	75,678	85,010	92,962	107,811	121,769
Amusement			5,062	5,265	5,377	6,611	5,919	7,681	8,167	6,904	1,511	5,315	5,184	11,619
Gasoline, less rebates				12,914	10,160	64,165	160,176	125,200	100,260	170,821	164,039	174,185	178,608	200,004
Succession Duties		5,877	10,569	18,788	8,587	17,122	29,325	25,945	11,640	35,453	30,713	50,452	19,839	42,811
3 LICENSES, PERMITS AND FEES														
Motor Vehicles . . .		480	38,226	71,908	81,929	99,495	115,414	145,996	136,075	122,456	95,282	101,229	102,901	112,126
All other		18,595	18,093	15,514	16,712	19,608	20,581	19,056	22,964	22,558	24,756	25,972	23,193	27,833
4 PUBLIC DOMAIN														
Fish, Game and Furs		7,049		18	8			4	5	6	6	386	332	196
5 LIQUOR—ENFORCEMENT OF PROHIBITION ACT		1,400	49,542	57,000	15,000		21,875	11,068	26,567	27,000	30,000	30,000	23,241	40,000
6 FINES AND PENALTIES		2,067	23	52	97	246	954	704	1,188	523	478	839	426	2,281
7 SALE OF COMMODITIES AND SERVICES				36	19	24	746	155	5,843	1,659	1,111	5,083	1,534	5,602
8 REFUNDS OF EXPENDITURE FROM MUNICIPALITIES									1,000	2,150	2,150	2,150	2,150	2,150
9 OTHER REFUNDS OF EXPENDITURE		17,758	4,513	12,211	15,553	20,210	20,956	38,360	35,403	35,693	30,386	2,646	5,757	2,029
10 OTHER CURRENT REVENUES		1,090	70	111	258	494	1,280	100	6,726	12,212	13,058	15,426	15,932	12,950
		<u>\$ 525,937</u>	<u>\$ 706,520</u>	<u>\$ 870,210</u>	<u>\$ 831,811</u>	<u>\$ 999,101</u>	<u>\$ 1,165,994</u>	<u>\$ 1,110,924</u>	<u>\$ 1,101,101</u>	<u>\$ 1,172,823</u>	<u>\$ 1,183,356</u>	<u>\$ 1,214,701</u>	<u>\$ 1,324,453</u>	<u>\$ 1,476,135</u>

N. B.—Direct Relief, Old Age Pensions, Falconwood Fees deducted from expenditures in order to arrive at net cost.

(a)—Fox Tax included.

(b)—Poll Tax included.

PROVINCE OF PRINCE EDWARD ISLAND
CONDENSED STATEMENT OF CURRENT EXPENDITURES CLASSIFIED BY FUNCTIONS
As at fiscal year ending December 31st

Item	Classification	1913	1921	1926	1927	1928	1929	1930	1931	1932	1933	1934	1935	1936
1	DEBT CHARGES													
	Interest	\$ 40,158	\$ 50,912	\$ 111,997	\$ 111,170	\$ 126,004	\$ 136,373	\$ 148,138	\$ 170,385	\$ 175,688	\$ 207,366	\$ 229,607	\$ 212,680	\$ 288,267
	Sinking Funds	11,916	11,816	27,108	28,217	41,809	43,842	48,265	50,565	88,042	108,805	128,580	130,133	146,189
2	PUBLIC WELFARE	51,635	123,173	112,512	152,076	121,381	146,509	140,750	164,527	144,726	179,594	223,394	260,905	252,267
3	EDUCATION	150,966	241,244	275,907	277,123	293,901	291,881	298,081	312,135	315,441	311,928	331,505	338,215	336,708
4	ADMINISTRATION OF JUSTICE	26,511	25,543	28,478	35,077	32,293	36,056	39,309	74,527	53,519	54,434	51,784	55,377	57,398
5	LEGISLATION	12,652	25,347	19,590	26,550	20,111	25,110	21,885	29,126	21,201	21,677	21,037	28,825	18,992
6	GENERAL GOVERNMENT	61,151	90,782	93,192	90,681	90,951	106,856	107,072	105,538	103,186	103,363	105,797	120,763	117,310
7	AGRICULTURE	18,444	28,067	33,372	44,105	26,598	55,016	42,457	37,197	39,745	35,096	30,727	37,984	29,969
8	TOURIST PUBLICITY, ETC.	6,257		1,000	1,750	2,000	2,000	2,000	3,000	3,000	3,000	3,000	4,250	4,698
9	HIGHWAYS, BRIDGES AND FERRIES	88,690	108,727	140,697	213,502	215,070	281,613	311,597	447,236	292,684	260,781	349,661	473,251	279,994
10	OTHER CURRENT EXPENDITURE	796	7,560	2,316	250	4,327	615	2,741	3,485	6,967	6,522	7,756	8,035	8,889
		<u>\$ 469,106</u>	<u>\$ 722,201</u>	<u>\$ 848,549</u>	<u>\$ 988,731</u>	<u>\$ 982,118</u>	<u>\$1,115,861</u>	<u>\$1,162,295</u>	<u>\$1,107,721</u>	<u>\$1,244,199</u>	<u>\$1,312,566</u>	<u>\$1,485,048</u>	<u>\$1,700,750</u>	<u>\$1,500,789</u>

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